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Approved For Release 1999/08/24 : CIA-RDP78-03061A000200050002-4

# Bi-weekly Propaganda Guidance

RECORD COPY

- Reasonable care should be taken to avoid reproducing the language or style of the guidances, which would denote a common origin.

NUMBER 133

DATE: 27 January 1964

Central Propaganda Directive  
Briefly Noted

Propagandist's Guide to Communist Dissensions  
#20, 3-17 January 1964 /Unclassified Chronology  
in English, French, and Spanish/

731. The Soviet Succession Problem
- 732 EE,WE,d. Soviet Balance-of-Payment  
Difficulties\*
- 733 WE,e. Specter of a New Popular  
Front in France
- 734 AF,g. Chou En-lai in Africa: China  
in the U.N.?
- 735 FE,NE. North Vietnam: Economic Dif-  
ficulties and Party Dissensions
- 736 WH,g. PANAMA: The Riots and Their  
Aftermath\*
- 737 EE,WE. "Easter Marches"

\*unclassified attachment

- **NUMBERING:** Items with numbers alone are sent to all stations; items with area letters and small letters are given selected distribution; small letters indicate the following content—*a.* revisionism; *b.* agriculture; *c.* religion; *d.* intelligentsia; *e.* labor; *f.* youth and students; *g.* nationalism, neutralism; and *h.* black propaganda.
- **COLORS:** Items on blue paper are of basic, long-range interest; those on pink paper are specifically for revisionist assets; the *Central Propaganda Directive* is on buff paper; and green paper is used for the *Propagandist's Guide to Communist Dissensions*.

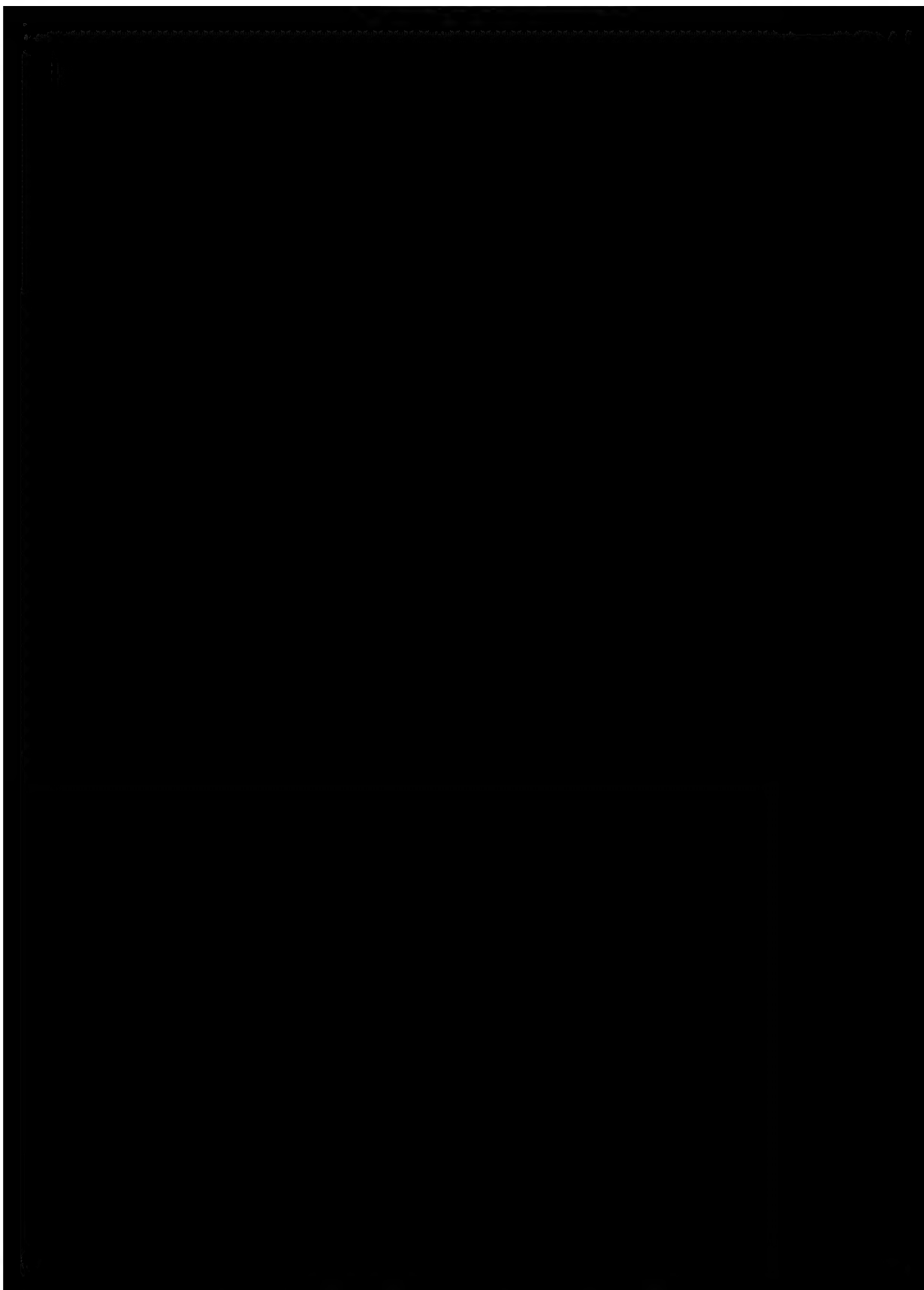
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27 January 1964

Briefly NotedSoviets Profit from Cuban Sugar Barter:

It was BRIEFLY NOTED in Bi-Weekly Guidance #129, of 18 November 1963 that Cuba was exporting approximately one million tons of sugar to Russia during 1963, of which 80% was exchanged for other goods at 6 cents U.S. per pound and 20% sold for hard currency at 4 cents per pound. The difference between those low rates and the world price of close to 11 cents is the price Cuba has to pay for Russian arms and membership in the Communist fraternity. This was the price exacted by Khrushchev from Castro, during his Spring 1963 visit, in return for a promise to extend more Soviet credits to buy more Soviet goods.

Castro made another surprise visit to the Soviet Union on January 13, 1964. It has been reported NY Times 19 January 1964 that Khrushchev has now agreed to preempt less of the Cuban sugar crop as payment for his aid, which would allow the Castro regime to sell sugar elsewhere and pay for imports with the proceeds. Assuming this report to be true, it is not as magnanimous as it might sound: according to experts, an analysis of the size of sugar shipments to and from the Soviet Union shows that a profit of at least \$70 million should already have been realized on just a portion of the Cuban sugar committed to Khrushchev. To allow financially-strapped Cuba to earn a little hard currency might reduce Cuban complaints and demands for greater economic support from the Soviet Union -- and give the Soviet Union credit for stealing a little less Cuban sugar than was originally exacted.

We present this as an example, not only of the mismanagement of Cuban economic affairs by the Castro regime, but also of what it means to be a Russian satellite.

Soviet Growth Estimates

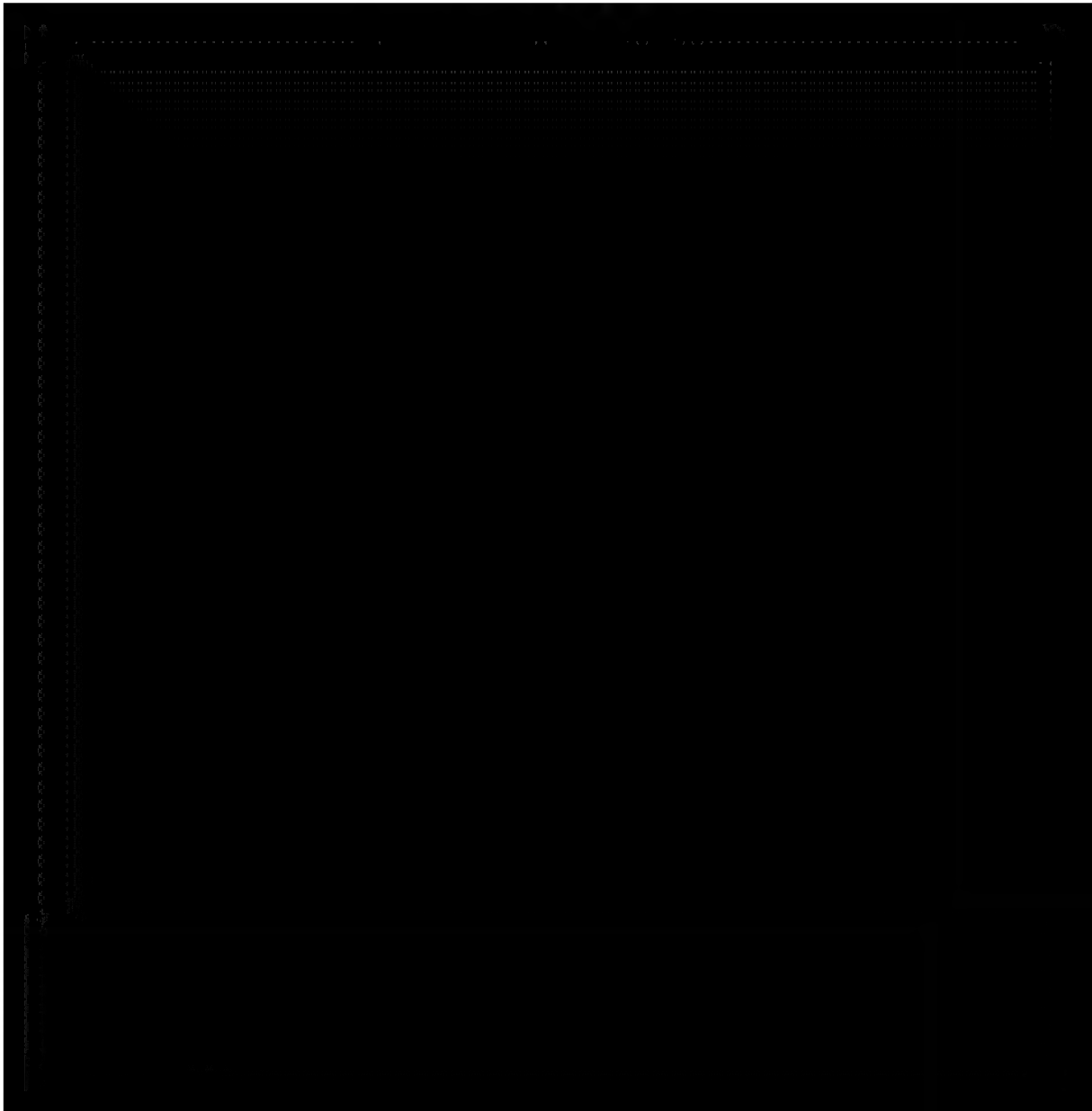
Predictably, Soviet press and radio media have heavily attacked the U.S. Central Intelligence Agency for its estimate, released through the New York Times of 8 January (Press Comment, 8 January), that the Soviet economic growth rate fell in 1962 and 1963 to 2.5 per cent. (Incidentally, Agency analysts in their press release of 9 January only gave the 2.5 figure for 1963; copies of this 4-page release are available if needed.) Western press comment has also been largely critical.

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(Briefly Noted)

DATES OF PROPAGANDA INTEREST

24 Feb Treaty of Ili (or St. Petersburg) returning most of Sinkiang territory to China but granting portion to Russia, 1881.

25 Feb Khrushchev denounces Stalin in secret speech at CPSU 20th Congress, 14-25 Feb. 1956.

26 Feb Inter'l Conf. of Youth and Students for Disarmament, Peace, and National Independence (WFDY sponsored), Florence, Italy, scheduled for 26 Feb-1 Mar, 1964.

27 Feb Mao Tse-tung delivers "Hundred Flowers" speech, 1957.

2 Mar "Trial of the 21" charging attempt to restore capitalism by Bukharin, Rykov and Yagoda et al, (18 sentenced to death) 2-13 March 1938.

5 Mar Joseph Stalin dies (born 21 Dec 1879), 1953.

8 Mar Russia -- February Revolution (Julian Cal. 23 Feb-2 Mar) 8-15 March 1917.

9 Mar Latin American Youth Congress (Communist sponsored) Santiago, Chile, scheduled for 9-13 March.

13 Mar Chinese Communist attempt to arrest Tibetan Dalai Lama, 1959.

14 Mar Karl Marx dies (born 5 May 1818), 1883.

18 Mar Kronstadt Uprising crushed (started 23 Feb), 1921.

1 Ap Berlin Blockade begins, 1948.

4 Ap North Atlantic Treaty signed in response to Soviet imperialism in Europe, 1949.

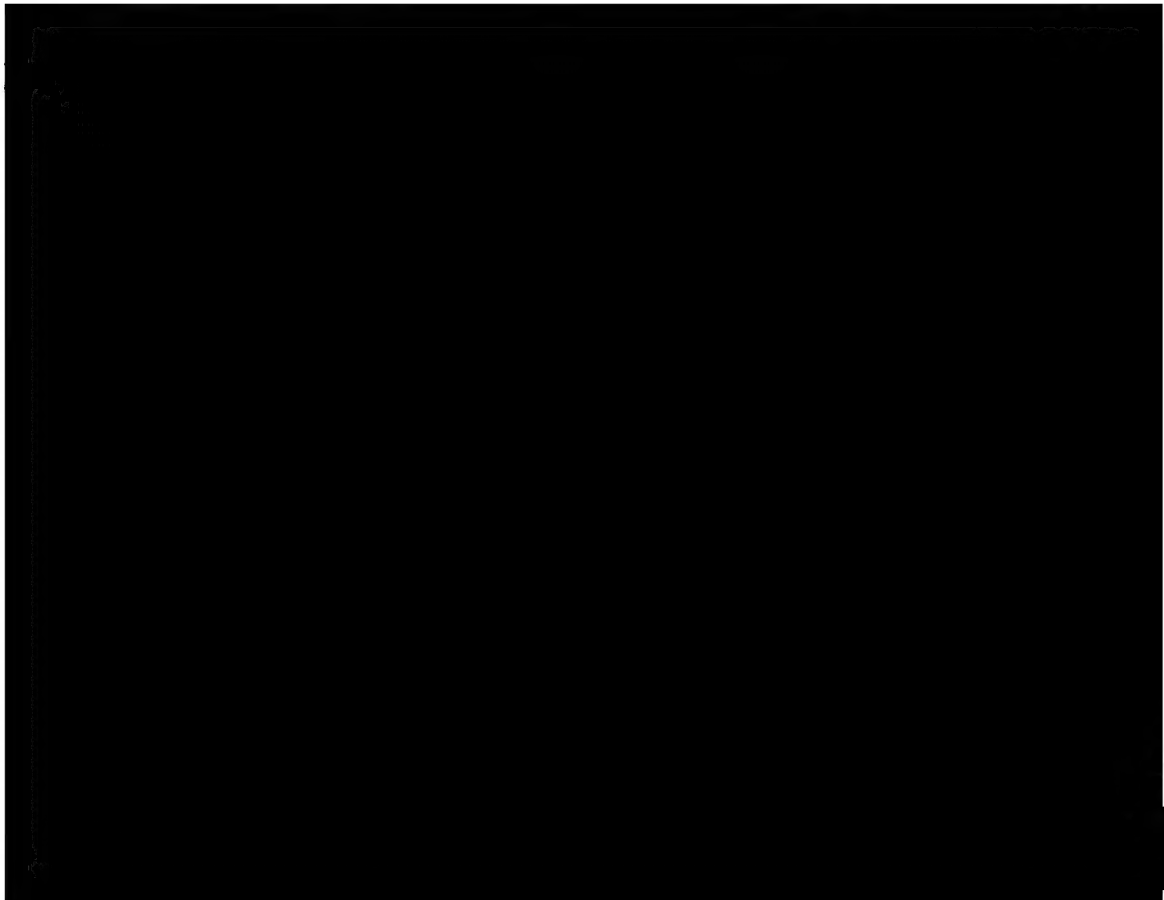
11 Ap "Day of Remembrance" - Liberation from Fascism, celebrated annually by Communist resistance fighters, FIR.

17 Ap Nikita Khrushchev born 70 years ago, 1894.

22 Ap Lenin born, 1870, Chicoms issue "Long Live Leninism" statements, challenging Khrushchev, 1960.

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**PROPAGANDIST'S GUIDE TO COMMUNIST DISSENSIONS**

#20

3-17 January 1964

Commentary

Principal Developments:

1. The Chinese continued to attack (on a somewhat lower key) and to gain some ground against apparently mild Soviet opposition. The strongest Chinese polemics came during Chou's 9-day visit to Albania, in denunciatory speeches by Chou and his hosts and a joint statement by the two governments which brought official Yugoslav notes of protest -- but no mention by the Soviets. A Yugoslav correspondent in Moscow, noting on January 9 that the Soviets had abstained from replying to the continuing Chinese assaults for two and a half months, said: "People in Moscow think that this is an alarming situation." Khrushchev did make several references to his differences with the Chinese (not named) in his off-the-cuff speech with Castro in Kalinin on the last day of this period, but of a purely defensive nature. (Chrono, January 17.)

2. Back in Africa after Albania, Chou reverted to his role of affable diplomat: most observers assessed his gains as greater than anticipated, even though no spectacular achievements were reported. (Chrono, entire period.)

3. The conflict was mirrored in further turbulent developments among parties in non-Communist Europe. Chinese gains could be seen in the apparent advance of the pro-Chinese dissidents in Belgium (Chrono, January 3) and the bolting of the extreme left wing of Nenni's Italian Socialist Party to form a new Socialist Party of Proletarian Unity which seems to be ideologically closer to Peking than to the Italian CP. (Chrono, January 13). Pro-Chinese elements in Sweden were thoroughly rebuffed at the CP's 20th Congress, but the Party seems also to have moved away from the CPSU in the direction of an independent, right-leaning, national version of Communism. (Chrono, January 3-6) (The Italian and French Parties announced plans for reorganizations to provide more inner-party democracy, but this would seem to have no effect on their alignment in the movement: Chrono, January 15/16).

4. A clandestine report of plans for a meeting of Latin American Communist youth leaders in Havana January 20, to make preparations for the Second Latin American Youth Congress (LAYC) scheduled for March in Santiago, Chile, told of fear of disruption through an outbreak of the Sino-Soviet dispute. It asserted that no Soviet delegation would attend the 2nd LAYC in an effort to avoid a confrontation with the Chinese and that the Soviets are urging that the Chinese also be kept away.

5. Meanwhile, even the most dissident elements in world Communism reacted with the same stridently anti-imperialist outcries to the Communist-exploited anti-U.S. riots in Panama and the Communist-led overthrow of the government in Zanzibar.

Significance:

E v e n t s were more important than words during this period: Chou En-lai's much publicized pied-piper circuit in Africa, given additional encouragement by de Gaulle's intention to establish diplomatic ties with Peking; Castro's surprise visit to Moscow, whether caused by Cuba's economic woes or by welcome rioting in Panama; apparent establishment of the first Communist foothold in Africa, on Zanzibar; the shift in the Swedish CP and the left-wing split away from Nenni's Italian Socialists.

Only the Chinese, with their Albanian supporters maintained the battle of w o r d s, against persistent silence in Moscow. We wonder whether this "turn-the-other cheek" attitude, not generally characteristic of Khrushchev, reflects his conviction that his domestic and foreign policy efforts hold more promise to regain hegemony in the World Communist Movement for the CPSU than "escalating" polemics, whether he is muted under pressure from domestic opposition or whether Moscow's odd reticence cloaks a new round of behind-the-scenes negotiations with Peking.

In any case, the events of this period appear to favor the Chinese over the Soviets. At the same time they might well mean some Communist gain against the free world, underscoring our repeated warnings that dissensions in the Communist camp cannot be relied upon to weaken the entire Communist cause automatically: they will serve free-world interests only to the extent to which we are able and determined to utilize them for our own purposes.

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References (classified):

1. INTERNATIONAL COMMUNISM -- CURRENT TRENDS AND PATTERNS.

This is the cover title for a new series of briefs by CI/ICG. Each brief will be classified according to content: the first two, listed below, are unclassified. 1:64, The World Federation of Trade Unions and the Sino-Soviet Dispute, August-November 1963, 6 January 1964. 2:64, The World Federation of Scientific Workers, 6 January 1964.

2. Peiping Justifies to its People the Dispute with Moscow, OCI No. 0610/64 dated 3 January 1964 (Secret). A detailed analysis of the Chou Yang speech described by our Chronology, December 27.

## CHRONOLOGY -- COMMUNIST DISSENSIONS

#20

3-17 January 1964

Throughout period - The Chicom delegation headed by Chou En-lai continues its African tour (see Chrono Dec. 14 and continuing). During his 9-day Albanian interlude, Dec. 31-Jan. 9, Chou reverted easily from the mild manner of a reasonable diplomat to his other role as a militant Communist, with a series of speeches containing increasingly direct slams at the Tito clique and the Soviet camp. Before a mass rally in Tirana on the 8th, he spoke of the "brilliant successes" won by the Albanians "in a state of encirclement by enemies and in spite of the perfidy of those who originally styled themselves as comrades." After going on at some length about "modern revisionism" which "has tampered with the fundamental axioms of Marxism-Leninism and has been seeking to paralyze the revolutionary will of the people of the world, disorganize the revolutionary ranks from within, and help imperialism prolong its life," Chou declaims: "The Chinese people will never forget that when the modern revisionists leveled wanton slanders and attacks at the CCP, the Albanian Workers Party .... courageously stepped forward, resisted this evil trend, and mercilessly exposed and dealt blows at the modern revisionists' anti-China scheme." The 5,000-word-plus joint statement issued by both countries on the 9th strongly denounces the modern revisionists and "the modern dogmatists (who) always follow the baton of the modern revisionists," "great nation chauvinism and national egoism in relations between socialist countries," "any attempt to reverse the verdict on the Tito clique (which) is a betrayal of Marxism-Leninism," and "the splitting and disruptive schemes of the modern revisionists (which) will surely meet with complete failure."

The Yugoslavs counter-attacked, especially in articles in the main Belgrade dailies Borba and Politika on the 12th which not only denounced Chou's "hostile campaign against Yugoslavia" and the "frontal Chinese destructive wrecking and harmful policy toward the socialist world and international labor movement," but also objected to "that part of the Tirana resolution in which the Chinese and Albanian leaders proclaim a major part of the countries of Asia, Africa and Latin America as an 'interzone' -- that is to say, as a 'non-occupied, uncovered zone to which they directly orientate themselves at the moment." Politika calls this "an underestimation of the peoples of these countries, who have their own ideas about development .... the Chinese leaders want to impose themselves as inspirers, champions and patrons of the national liberation movements, and of peoples who have freed themselves from foreign oppression and, moreover, are making attempts to determine their policy." On the 14th, the Yugoslav Government handed official notes of protest to the Chinese Ambassador and the Albanian Charge d'Affaires, -- which the latter refused to accept.

(#20 Chronology Cont.)

Moscow, meanwhile, said nothing about Chou's performances, beyond brief reports of his movements. Merely indirectly, a Pravda editorial board interview on the 6th with Ghana's Nkrumah stressed Soviet-Ghanaian friendship and hailed the test-ban treaty as a "great victory."

Chou's two-day visit to Tunisia, 9-10, brings an agreement to establish diplomatic relations -- an intent which Tunis had proclaimed since 1958. His five-day visit to Ghana brought nothing more tangible than a joint statement with Nkrumah endorsing an "anti-imperialist conference" of African, Asian and Latin American peoples and a conference of the world's heads of government -- if convened to sign an international agreement on total nuclear disarmament. In Bamako on the 16th, Chou was told by President Keita that Mali supported the CPR's right to sit in the U.N. Security Council.

January 3 - La Voix du Peuple, organ of the pro-Chinese group of dissident Belgian Communists headed by Jacques Grippa, announced that it would henceforth appear weekly instead of fortnightly: it also reported that at a "national congress" on December 22 a Wallonn Communist Party and a Flemish Communist Party were set up, which, together with the Grippa-led Brussels Federation, would be "the Belgian Communist Party, reconstituted on the national level on the basis of Marxism-Leninism." Maurice Massoz, leading politburo member of the dissident group, stated that La Voix is now printed in 10,000 copies, of which 2,000 are for distribution in northeast France. He also said that it is hoped to produce a Flemish edition in early spring.

Le Drapeau Rouge, daily organ of the old, Soviet-aligned Party, has not mentioned these developments, but a spokesman derided the claims of the dissidents, saying that "a mere five percent of malcontents will not shake out position."

January 3-6 -- The Swedish Communist Party (SKP) finally held its 20th congress, resulting in a "new look" for the Party, presumably designed to give it greater appeal in modern Swedish society. Over 300 SKP delegates and numerous foreign guests -- including a 5-man CPSU delegation led by Ponomarev but no Chinese-line representatives -- attended, and, for the first time, the proceedings were public, held in the Parliament Building. 64-year-old H. Hagberg, who has been chairman since 1951 and had announced his intention to retire, was replaced by 46-year-old C. Hermansson, chief editor of the SKP organ Ny Dag, and 11 new, young members were elected to the 45-man Party Executive (renamed from Central Committee).

Hermansson had gained a reputation as a reformer, and correspondents' reports (we have not yet seen a round-up of proceedings) indicate at least an outward Party swing in the direction of independent national Swedish Communism. A German reporter states (Frankfurter Allgemeine Zeitung, 8 January) that the Party

"dropped the demand for proletarian dictatorship in favor of a parliamentary system" and the old demand for Swedish disarmament was replaced by a "people's defense project." Another (Die Welt, Hamburg, same day) reports Hermansson as saying: "I consider the wall an anomaly, an abnormal situation in Germany."

The dissident, pro-Chinese Swedish Communist Workers League had distributed at the opening of the congress a 2-page leaflet calling on the SKP to repudiate its leaders who have "deserted Marxism and chosen the broad and comfortable road of reforms" and return to the revolutionary struggle for Communism. In his opening speech, Hagberg accused the Chinese of "spreading the poison of doubt and dissension" in the WCM and of apparently "placing the national interests of China before world peace," and no one spoke up in support of the Chinese line, although B. Gustafsson objected to Hagberg's mention of China because "our congress should not be a forum for criticism of any fraternal party."

January 7 - Khrushchev returns to Moscow after his "hunting trip" visit with Gomulka: the major purpose for the visit was presumably discussion of the problems facing the international Communist movement, though no conclusions or formal agreements were reported. In Paris, the FCP organ L'Humanite published a joint declaration of the French and Spanish CP's, agreed on at a meeting in December, which declared their indignation at "the divisionist attempts fomented by the leaders of the CCP between and within fraternal parties of various countries," condemned "the violent attacks directed by the CCP against the CPSU, its leaders, and other Communist parties which defend the line approved by the international Communist movement," and declared their support for an international conference to help consolidate unity. And in Tokyo, the Asahi Evening News reports that the Japanese Socialist Party will send a mission to the USSR in March at the invitation of the CC/CPSU. The paper comments that "the JSP has recently moved closer to Communist Chinese ideology, but the Soviet talks are expected to bring it closer to Russian policy, particularly with regard to the peace movement."

January 8 - Reuters in Moscow reports that the "latest issue available here" of Problems of Peace and Socialism carries an article attacking the Chinese press for "recognizing as genuine Communist revolutionaries" various weak splitter groups of dissidents who are subverting the unity of a party, while at the same time they are unilaterally and arbitrarily branding as revisionists, aides of imperialism, and even its direct agents, "such militant detachments of the revolutionary movement as the Communist parties of the USA, Italy, France, Spain, Chile, Iraq, India and many others." Whatever revolutionary views are propagated by the splitter groups, the article says, they in fact play only one role: "They serve as an instrument of the bourgeoisie in the struggle against Communism." The article calls on all parties to oppose such activity, repeats a call for an end to polemics, and speaks of a conference of all CP's "after careful preparation." It is signed jointly by Vaclav Slavik, member of the Czech Party CC, Norman Freed, candidate member of the Canadian CC, and Murad Kuwatly, a Syrian publicist. And a London Observer

dispatch from Colombo carried by the Washington Post this date reported further on "the bitter ideological fight between the pro-Russian and pro-Chinese factions in Ceylon" which "has come to a head with the summary dismissal of five Ceylonese employees from Soviet-bloc offices." The men "allege that they were sacked for their pro-China affiliations" and "charge their former employers with victimization, a word generally reserved by Communist trade unionists for capitalist bosses." "Their case is sponsored by the Ceylon Trade Union Federation, over which pro-China Communists assumed command after a pitched battle at the recent annual meeting."

January 9 - Borba, Belgrade, carries an article by its Moscow correspondent Bayalski who notes that two and a half months have elapsed since Khrushchev proposed to Peking to stop public polemics -- for the third time in recent years -- and "for as long as 70 days so far" the Soviet side has been refraining from writing or publishing replies to the Chinese, who "continue launching assaults on the entire political line of the CPSU". "People in Moscow think that this is an alarming situation and one which demands an analysis of Peking's further intentions."

January 10 - A UPI London dispatch (carried by Washington Post Jan. 12) stated that North Vietnam President Ho Chi Minh "was reported today to have fallen out of favor with Red China's rulers in an apparent split clouding relations between the Asian neighbors." The article cited "informed Communist reports reaching here" to the effect that Ho "had cooled to the political and ideological strategy of the Peking regime" and that "the Mao regime" has sought to isolate Ho in an effort to keep its hold on the rest of the North Vietnamese Communist hierarchy.

January 12 -- A Peking People's Daily editorial denouncing the US role in Panama jabs at the Soviets: "How strange, then, that some who call themselves Marxist-Leninists actually applaud Johnson's State of the Union message."

January 13 -- Castro unexpectedly arrives in Moscow at the height of the Panama-USA crisis, but no connection between the two events is admitted. A Cuban La Prensa article says that Castro's talks with the Soviet boss will very likely deal with the international Communist movement and the entire world situation. In Rome, a left-wing band of rebels bolted from Nenni's Italian Socialist Party (PSI) and formed a new "Socialist Party of Proletarian Unity" (PSIUP) with Tullio Vecchietti as General Secretary. Although the break came primarily in protest against Nenni's cooperation in the Moro government, it appeared that the line of the new party would be more in harmony with the Chinese than with the Italian or Soviet Communists.

January 15 -- NCNA international service first acknowledges Khrushchev's proposal for international agreement renouncing use of force to settle territorial disputes: it is a brief factual report which does not elaborate on the contents of the proposal.



-- and it has not been carried by any domestic media, as far as we know. In a remarkably outspoken press conference in Rome, 4 top Italian CP National Executive members outline plans for a far-reaching Party reorganization to be adopted by a national conference March 12-15. The changes, which will give more importance and power to regional committees, are admittedly in response to a drop in Party membership over the last 10 years from 2,145,000 to 1,615,000 and in Communist Youth Federation membership from 431,000 to 172,000. The four also made a fresh appeal for a broad alliance "among all the different political organizations of the working class," including not only the Socialist and Social Democrats but also the Christian Democrat labor groups. On the same day, a PCI delegation led by Togliatti arrives in Belgrade for an informal fraternal visit with Tito and other Yugoslav Party officials in response to an invitation extended a year ago.

January 15-16 -- The French CP organ L'Humanite publishes a draft resolution (15th) and proposed changes to the Party statutes (16th) approved by the CC for submission to the spring FCP congress in Lille. The changes, apparently designed to further a "united front" with the Socialists, and other leftists, advanced the idea of peaceful change to socialism and provided for more internal democracy in the Party.

January 16 -- The January issue of the Yugoslav theoretical journal Komunist dedicates its lead editorial to the 40th anniversary of Lenin's death. It accuses the Chinese of "a surprisingly total dogmatization and degradation of the grand teachings of Marx and Lenin." Although they proclaim themselves "the sole deserving followers of Leninism," and "keep quoting his works until exhaustion," they "do this outside the context of the entirety of his thought and irrespective of the situation in which that thought was expressed, which is contradictory to all that Lenin did and spoke of." Komunist adds: "Lenin in the Chinese fashion is an irresponsible flood of sheer phraseology, senseless and spiritless, and a vain effort to disguise a wrong political orientation and veil it in a quasi-revolutionary garment."

January 17 -- In a rambling speech accompanying Castro on a visit to a Kalinin textile factory, Khrushchev made several defensive references to his differences with the Chinese -- without naming them. Extolling Soviet material successes, he said:

"Some people who call themselves Communists are criticizing us because we want the country to be richer and the people to live better. That sort of critic has a strange logic. He reasons like this: the better the Soviet people live, the greater the danger of their becoming bourgeois-minded. But we say: if a man has one suit, please god that he gets two, and then three. Let the people have plenty to eat, let all the children study,

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let all people be able more fully to meet their  
requirements -- this is our dream, which is now  
coming true."

In doing everything to meet the material and spiritual requirements of the people, he says, "we are following the only correct Leninist path, and nobody will succeed in pushing us off that path." In a similar way, he refers to "comrades abroad who say that Khrushchev is not managing things in the right way, that he is afraid of war," and that "there were people who began criticizing us for placing the rockets (in Cuba) and then taking them away," but the results have demonstrated the wisdom of our policy.

731. The Soviet Succession Problem

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**BACKGROUND:** The assassination of President Kennedy called to mind a universal problem -- that of providing for a smooth transfer of power in the event that a national leader dies. Press discussion, particularly in the Near East and Latin America, noted the smooth transition from John F. Kennedy to Lyndon Johnson and privately, many heads of government (and their possible successors) must have wondered what would happen in the event of their own sudden death. There are a large number of leaders who would be poor life insurance risks, and most of them could not be so smoothly and easily replaced: e.g., de Gaulle, Nehru, Haile Selassie, Jomo Kenyatta, Sukarno, Mao, Salazar, Tito, Franco, Gomulka, Ho Chi Minh, and Khrushchev, who will be 70 next April.

Nowhere is the succession problem more acute than in the Soviet Union, the leading nation in the so-called "socialist camp." Since the USSR is armed with advanced weapons and since it exercises political influence throughout the world, the question of who rules in the Kremlin concerns everyone. A highly irrational individual (like Hitler, for example) could, as Soviet dictator, destroy civilization. Yet the Soviet succession is in no way assured.

Under present conditions, a succession crisis is practically a built-in feature of the Soviet system. There is by now a certain more or less established way to win a Soviet succession struggle: as the system has worked thus far, the victor is likely to be the man who is most successful in building a personal machine within the CPSU. This was how Stalin managed to follow Lenin, and how Khrushchev managed to follow Stalin. But no ruling dictator knowingly permits anyone else to build up a personal machine during his lifetime -- they might not wait for him to die naturally before seizing power. (If there are favored heirs apparent, like Malenkov under Stalin or Brezhnev at present, it is a pretty safe bet that they are without organized support.) Thus, unless as in Lenin's last years the old dictator is physically or mentally unable to maintain close control, possible successors have no opportunity to build up a really strong group of vassals until the old man dies. At that time, the personal factions have to be organized from scratch. Hence there is likely to be a period of instability, during which rivals maneuver for position.

The succession crisis following Lenin's death lasted approximately seven years (1923-1930); that following Stalin's death lasted approximately four years (1953-1957) -- at least as it now appears. But Khrushchev finally won out only by appealing to lower-ranking supporters over the heads of the "anti-Party group," and he has never secured the unquestioned



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leadership which Stalin held. For one thing, Khrushchev has failed to retain unchallenged leadership of the world Communist movement. For another, signs continue to appear showing a degree of domestic opposition to Khrushchev's wishes. For example:

--Molotov tried to submit an article contrary to Khrushchev's position in April 1960, and in 1961 is said to have attacked the CPSU 20 Year Program in a letter to the Central Committee. (See BPG #563, 27 August 1962)

--At the 22nd Congress in 1961, A.P. Kirilenko (identified as a Khrushchev supporter) lost candidate Presidium member status while I.V. Spiridonov (believed to be allied with Frol Kozlov) became a party Secretary; in April 1962, however, Kirilenko was promoted to full member of the CPSU Presidium and Spiridonov was transferred to a purely ceremonial job. (BPG #543, 16 July 1962)

--Although Khrushchev had lately described Yugoslavia as "socialist," instead of "revisionist," the original 1963 Soviet May Day slogans, published on 8 April 1963, failed to say that in Yugoslavia -- as in the case of all the other Communist countries -- the people were "building socialism"; the "error" was corrected three days later.

--Just recently, at the December 1963 plenum, the goal for fertilizer production for 1970 was announced as 70-80 million tons, instead of the 100 million tons Khrushchev had advocated a short time before.

Despite such signs of opposition, there is no strong successor in sight, and it is difficult to predict what would happen if Khrushchev died. Frol Kozlov (age 55), the heir apparent until last April, has reportedly suffered either a stroke or a crippling heart attack, and apparently is out of the running, although he is still officially Second Secretary of the CPSU, and a member of the CPSU Presidium. Leonid Ilich Brezhnev (57), the current "coming man," has in recent years been mostly involved with his ceremonial duties as the Soviet Chief of State (Chairman of the Presidium of the Supreme Soviet). It is rumored that he has suffered two heart attacks; if true, this would mean medically that a third, possibly fatal attack was quite likely. Aleksei Nikolaevich Kosygin (59), perhaps the next in line, has lately had the appearance of ill-health, and Anastas Mikoyan (68), Mikhail Suslov (61), and Otto Kuusinen (82) are all aged, and reportedly in poor health. N.M. Shvernik is an old Stalinist hack of 75. The life of a top Soviet

official, involving little exercise, an excess of food and drink, long and irregular hours, and a constant atmosphere of anxiety, is about as unhealthy as could be devised. If we note that the average age of the twelve CPSU Presidium members is 62, this scarcely gives an adequate idea of the effective age of these men.

Nikolai V. Podgorny, an outspoken Khrushchevite, seems to be, after Brezhnev, a man to watch. Recently he has attended functions relating to world Communist activities, perhaps in order to gain the international experience and contacts he sorely lacks. But at 60, he is hardly young; his past experience is in food industry and Ukrainian party affairs. L.F. Ilyichev, who has cut a mediocre figure at recent party cultural conclaves, is 58. Beneath the older generation, there are few young hopefuls in sight. Men like Dmitri Stepanovich Polyansky (45: agricultural affairs), Petr Nikolaevich Demichev (45: Party Secretary), and A.N. Shelepin (45: formerly in Komsomol activities and former chief of the KGB) are exceptional, and play minor roles, usually as specialists in some field.

The dearth in young talent may be partly explained by the terrible Soviet population losses due to the Civil War, forcible collectivization, Stalin's terrorism and slave labor camps, and World War II. Had there been no Communism, no Stalin, and no war, there would probably be about 20,000,000 more people on the present territory of the Soviet Union. (Actual 1959 population: 203,226,650) Young active males were the group hardest hit in the 1930's and 1940's, so that over the age of 35, there are only three men to every five women. (Such younger CPSU leaders as there are, like Shelepin, avoided extended front-line service thanks to their party positions.) Perhaps, too, there would be more young hopefuls if the non-Slavic quarter of the population had opportunities equal to those of the Russians and Ukrainians. The only full members of the CPSU Presidium who are not Slavs are Mikoyan and the ancient Kuusinen, holdovers from Stalin's day.

Thus the outlook for the Soviet Union, despite 7 and 20 Year plans, is far from clear. Khrushchev is not as suspicious as Stalin, but he does not give Brezhnev serious responsibilities. Khrushchev apparently has a certain earthy appeal, but he has never established himself as a Communist theorist or as a great revolutionary, and his prospective successors will probably do no better in this respect. Brezhnev's lack of Bolshevik renown is likely, among other things, to make it still harder to retain control of foreign Communist parties.

Perhaps Peking is the greatest problem facing the Kremlin. Those Soviet leaders most likely to be able to patch up relations with China are precisely those who are now out of the running: Kozlov and Suslov (we need hardly mention Molotov). Compared with Mao Tse-tung, Liu Shao-chi, or Chou En-lai, the potential Soviet leaders are inferior in experience and personal prestige.

What they will do is of course not now known. Quite possibly these men will continue and develop Khrushchev's policies, because none of them seems to have Stalin's or Mao's tendency to ignore or flout realities. Economic, social, and military realities dictate policies of increased investment in agriculture, increased emphasis on chemicals, increased contacts with the West, increased resort to the "peaceful coexistence" slogan, and the prevention of the dissemination of nuclear weapons. Peking, however, is unlikely to approve of these policies.

25X1C10b



732 EE,WE,d. Soviet Balance-of-Payment Difficulties

25X1C10b



**BACKGROUND:** As first reported in the New York Times of 8 January 1964 (Press Comment, 8 January), economic analysts in the Central Intelligence Agency conclude that growth in Soviet gross national product amounted only to 2.5 per cent in 1962 and 1963, and that Soviet gold reserves have fallen to less than \$2 billion. According to a news story datelined London, appearing in the Washington Post on 19 January (Press Comment, 21 January), British officials estimate 1962 and 1963 Soviet GNP growth at 3 to 3.5 per cent and agree with the \$2 billion gold reserve estimate (though they draw different conclusions from these figures). CIA's estimates met with disbelief in certain quarters, especially in those which are suspicious of CIA's motives, those which wish to extend credits to the Soviet Union, or those who (like Moscow) want to pretend that the USSR represents the "wave of the future."

The CIA figure on GNP will not be discussed here (see Briefly Noted). This guidance takes up instead the Soviet need for loans and the dangers involved in any such loans. The decline in Soviet gold reserves is significant mainly as a symptom of more general economic problems, especially of a difficulty in making exports and services sold to foreigners match imports and other expenses abroad. When a country cannot pay for its imports or foreign expenses in some other way, and cannot defer payment by borrowing, that country (if it does not default) must export gold--hence gold exports serve as a signal of difficulties. The US itself has had some difficulties in this field in recent years, even though our merchandise exports exceed our imports, largely because we have been spending heavily abroad on foreign aid and in particular on free world defenses.

Soviet apologists counter-attack by stressing US payments difficulties, and they may also claim to have an export surplus. On paper, and according to Soviet figures, the USSR did have an export surplus in 1962. Their trouble is that many Soviet exports went to "soft currency" countries (i.e., countries whose currency is not acceptable everywhere at par) where payment is sometimes slow and almost always in barter; an excess of exports to these countries does not help the USSR to pay for imports from industrially-advanced, hard currency countries. And it is these imports of advanced equipment that Moscow needs if it is to overcome its agricultural difficulties without serious sacrifices in its military and other heavy industry programs. (See attachment)

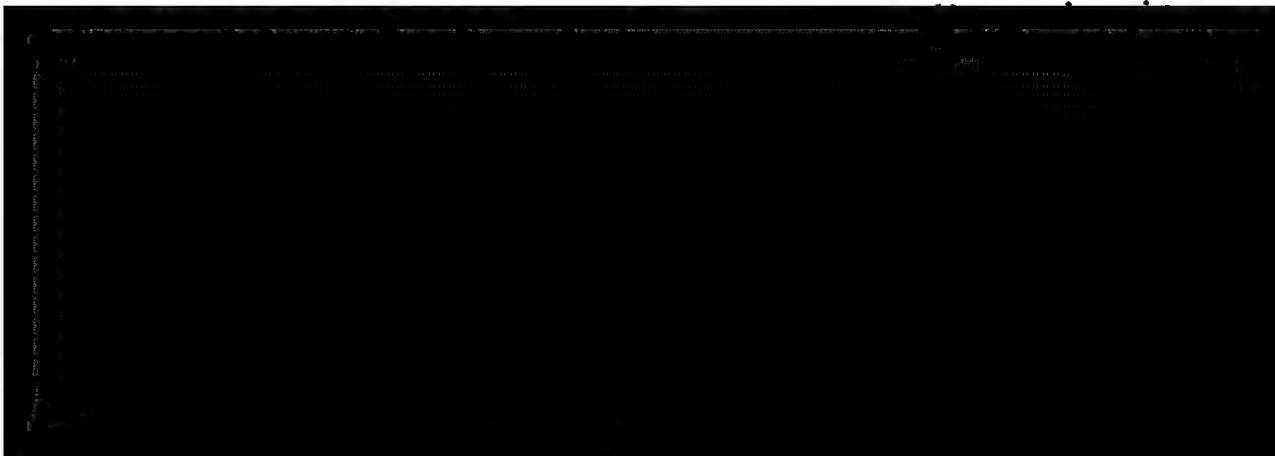
It is not true that the USSR is unable to construct technically advanced equipment, although Soviet propagandists like to pretend that this is the view of "US reactionary circles," so

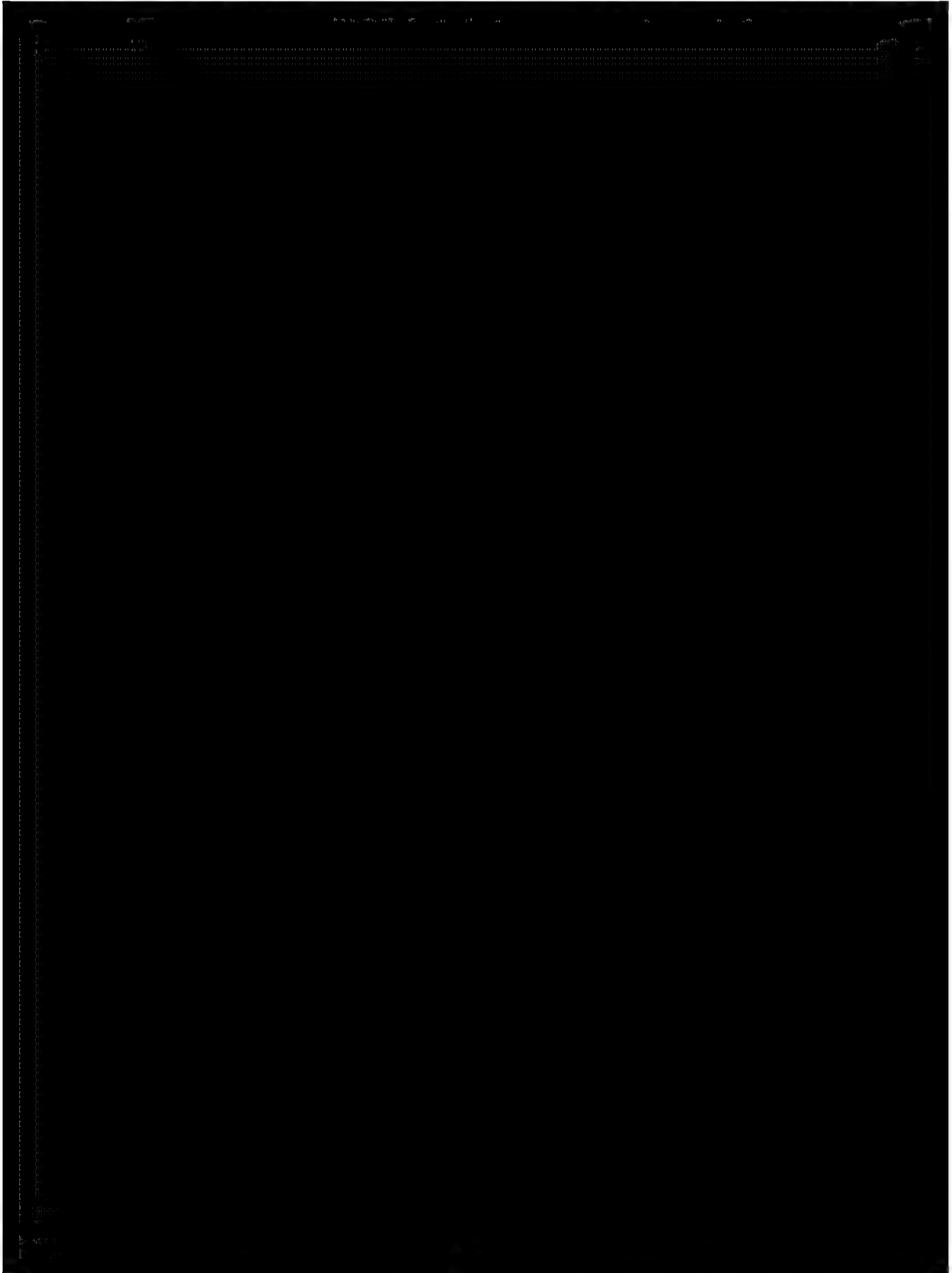
that they can knock down a straw man with references to cosmonauts, etc. The point is rather that the Kremlin would like to borrow abroad so that it can buy abroad without sacrificing any of its programs. Also, Soviet leaders do not want to admit that their system is unable to solve its problems by itself, and foreign credits provide an inconspicuous way of getting foreign aid. Large foreign credits would enable them simultaneously to make needed expenditures on agriculture, to continue large-scale investment in industry, and to stay in the arms and space races. Such credits will of course come due later, but Soviet officials are inclined to let the future take care of itself.

Thus loans or credits give aid to the USSR in its competition with the West. Yet many western businessmen and some western governments are ready to extend such credits. These people are primarily interested in selling goods to the Soviets, and in some cases (as for example in British shipbuilding) such sales might help to solve local unemployment problems and make governments more popular. Partly as rationalization, and partly because they really gauge the situation differently, these elements question the seriousness of the Soviet predicament and argue that trade will bring about better East-West relations. A "fat Russian," they say, is apt to be peaceful. They are inclined to think that US efforts to bar long-term credits are motivated either by rabid and outdated anti-Soviet mania, or by a desire to reserve some of this market for the US itself. Sometimes exponents of trade with the Soviets try to use US grain sales as an argument: "If the US can sell the Russians wheat, why can't we sell them machinery?"

The US has no desire to inflict suffering on the Soviet citizen and does not consider cash wheat sales comparable with sales on credit of advanced equipment--which help the Soviet leaders stay in the arms race, and assist them in attempts to "overtake and surpass" the West. Past experience indicates that the Soviet leaders will resume their threats and aggressive gambits as soon as they are able. It is hardly realistic to believe that they would be grateful in the future for long-term credits extended now, especially since they must compete in revolutionary zeal with Peking.

25X1C10b



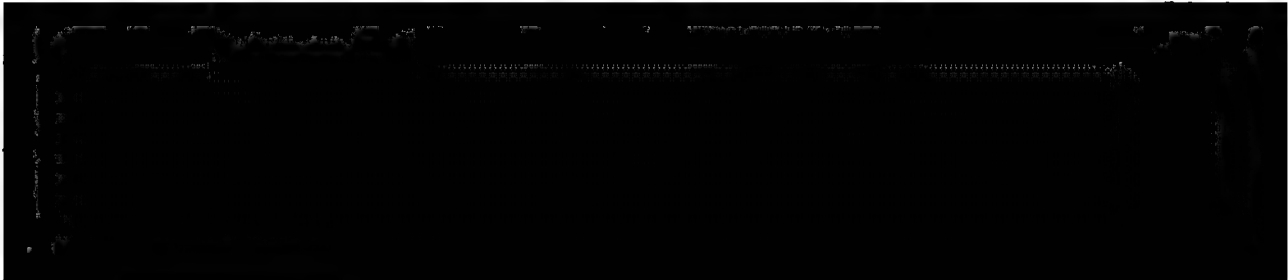


(Note: At present, on a small volume of trade, Soviet exports to several Western European countries, including the UK, France, and Italy, exceed imports from them. This condition is accentuated at the moment by a Soviet cut-back on imports of machinery in order to concentrate on grain purchases from non-European areas. But these export surpluses do not represent a normal Soviet ability to pay for large volumes of European industrial imports (or to repay large loans financing such imports) by exports to Europe. Most of the Soviet exports to Europe are in raw materials, fuel and (in good years) food, and this trade cannot expand rapidly, both supply and demand being inelastic. Machinery might seem more promising, but as already noted there are difficulties in providing good quality and service; out of total Soviet exports of machinery and equipment in 1962 amounting to \$1.25 billion, only 2 per cent or \$25 million was sold to the industrial free world, the rest going to less-developed and bloc countries. Exports of all kinds to the industrial west were \$1.1 billion. As noted in attachment, the over-all Soviet deficit in hard currency that year was \$350 million, and may be double that figure for 1963. If the USSR borrowed \$500 million a year in five per cent ten year credits, and did not default, they would after 1972 have to pay back \$612 million a year, just to keep their debt from increasing.)



733 WE, e. Specter of a New Popular Front in France

25X1C10b



BACKGROUND:

The Making of the First Popular Front. In 1932, before the emergence in France of the Popular Front, the PCF was a hopelessly isolated minority having but 10 of some 500 seats in the Chamber of Deputies.

At the beginning of 1934 France was suffering the worst phase of a great economic depression, while uncertainly ruled by its fifth government in 18 months. Moreover, there was much during the year 1934 which suggested to European Liberals and Socialists that -- since Hitler had come to power -- in many countries civil liberties and democratic institutions were threatened. The Austrian Socialist Party was suppressed in February 1934. Austrian Chancellor Dollfuss was murdered in Vienna in July, just after the Nazis had revealed their ruthlessness, treachery and brutality by the murder of Roehm and Schleicher. In October a rising of Socialist miners in the Asturias was harshly put down by the new Spanish Republic. The feeling that things were taking a rapid turn for the worse was intensified by Germany's open rearmament and by the Italian attack on Ethiopia the following year. Thus, for the two years from 1934 to 1936, it looked as if the people of Europe were taking sides for a great struggle between democracy and dictatorship. And when the Spanish Civil War broke out in July 1936 (some four months after Hitler's remilitarization of the Rhineland) it seemed to many people that the battle had already begun.

The Paris riots of 6 Feb 1934 were one of a series of events which led to the formation of the Popular Front, partially in reaction to the possibility of a Right-wing dictatorship. The Communists were finally realizing that National Socialism was not just a phase in the death-throes of capitalism and they were gradually abandoning their refusal to ally themselves openly with any other European party in opposing Fascism. In France there seemed to be a need for a broadly-based coalition to resist Fascism as well as to bring about long-overdue social reforms. Thus, in the course of 1934 the French Socialist Party (SFIO) and the PCF drew closer together and on 27 August 1934 they signed the United Actions Pact, which could be called the formal beginning of what came to be known as the Front Commun.

~~SECRET~~ (733. Continued)

27 January 1964

There followed 18 months of tough, suspicious negotiations between the SFIO and the PCF, interrupted more than once because of continuing insults and polemics in the Communist press against the SFIO. The SFIO had no clear program for relations with the PCF; but the PCF had clear instructions from Moscow: they were to weaken the SFIO from below by attacks on its leaders, and they were to make sure that any joint action was under Communist leadership. In l'Humanite of 20 March 1934 Thorez declared, "It is under the direction of the Communist Party, in spite of and in the face of the SFIO, that fighting unity between Communist and Socialist proletarians will be forged." Thorez was particularly bitter against those leaders on the left of the SFIO who showed signs of taking the leading place in the movement for working-class unity which the Communists had reserved for themselves. The SFIO sought continuously and vainly to achieve a definite plan of joint action for specific ends, feeling that only when agreement was reached on a detailed program of reforms and their theoretical basis was there any sense in discussing the creation of a united party to put them into action. The Communists wanted nothing so specific. SFIO leader Leon Blum expressed the grave misgivings and suspicions of the Socialists when he wrote that "the current towards unity might be transformed into a current toward Communism." However, the SFIO was under great popular pressure for progress toward some form of working-class unity. For example, in September of 1935 the national councils of the two trade union movements, the non-Communist C.G.T. and the Communist C.G.T.U., reached agreement on the terms under which they could fuse the two organizations, after negotiations as long and as complicated as those between the two political parties. Another notable evidence of the success of Communist party tactics was their comparative gains over the SFIO in various local elections.

During this period Stalin decided to seek some diplomatic agreement with the West in order to resist Hitler. Laval went to Moscow and on 2 May 1935 signed a Franco-Russian alliance. Whereas only two years earlier the Comintern Executive Committee had rebuked the PCF for flirting with the Socialists, the Seventh World Congress of the Communist International (Comintern) met in Moscow in July-August 1935 and reversed policy by putting the official seal of approval on anti-Fascist united fronts in France and elsewhere.


On 22 January 1936 the Laval Government fell. In March Hitler remilitarized the Rhineland; a fortnight later on 20 March 1936 the French Chamber of Deputies was dissolved and the electoral campaign began in earnest along lines agreed to in advance by the SFIO and PCF. On the first ballot the voters had a choice of Right-wing or Popular Front candidates. In the end the Communists gained 62 seats in the Chamber of Deputies, thus advancing to a strength of 72 seats as compared to their 1932 strength of 10. While the SFIO received almost the same number of popular votes as they had in 1932 (some 1,900,000), the PCF received 1,503,000 as compared with 794,000 in 1932.

After the elections in 1936 a wave of industrial agitation broke out at once. The PCF refused to participate in the new cabinet, preferring to have the advantages of the electoral victory without its responsibilities. In mid-1936 two great waves of "stay-in" strikes broke out in which the workers "occupied" major factories. The first was a short one at the end of May, and then came a much vaster one, which reached its climax on June 7, but took weeks and months to subside. On June 6 over a million people were on strike in France; the engineering industry and building trades of the Paris region came almost completely to a standstill. Workers' demands varied from one improvised strikers' committee to another. The new Blum government promised to table Bills concerning working hours, collective contracts and holidays, while appealing to the workers to observe discipline and to employers to treat the dispute in a broad-minded spirit. The PCF leaders assumed the role of the Great Victors. Thorez proclaimed the "new legality" and said if the workers took good care of the plants during the stay-in strikes, it was because "the factories would soon be the property of the workers, anyway." France went up to her ears in debt; interest rates were high; and the increased costs of production only aggravated her already existing handicaps as an exporter. In spring of 1937 new strikes and rioting broke out, and in June the Bourse crashed to the lowest levels since the panic days of 1926. The Popular Front government of Leon Blum fell that month.

Orthodox economists and those who remember the climate of the Popular Front of 1936-37 agree that its policies were catastrophic for France. In 1938 Paul Reynaud had the ugly task of destroying the peaceful illusion of the Popular Front and proclaiming the end of the "two-Sunday week." The "national reaction" of autumn, 1939 was directed in part at the PCF and its submissiveness to Moscow, but was above all a pretext for taking a ruthless revenge for the havoc that the Popular Front had done in the social field.

Current Problems in France. Superficially there are certain parallels between today's situation and the one which persuaded the SFIO and other factions to join forces with the PCF thirty years ago. Many are opposed to the increasingly autocratic nature of the government; the desire for the defeat of de Gaulle puts the SFIO on common ground with the PCF on this issue. Internally there is a threat of increasing labor unrest caused by mounting inflation. French government relations with totalitarian states (Peking and Moscow) are once more in a state of flux and a cause for alarm to many Frenchmen. And again the SFIO is seeking earnestly for a constructive modus vivendi with the French Communists, apparently forgetting past lessons on the absolute fallacy of such aspirations. Thus the press reveals an SFIO leadership disagreeing among themselves and with other Socialist parties; the SFIO leadership visiting Khrushchev in Moscow at the request of the CPSU; the SFIO declaring that they will not reject Communist assistance if it will contribute to the defeat of de Gaulle, but that the only basis for any permanent collaboration between the SFIO and PCF is the PCF's adoption

and implementation of the democratic pre-conditions defined by the SFIO; the SFIO saying they reject the Communist tactic of concealing from the electorate the issues which divide the SFIO from the PCF and keeping before their respective followers only the issues which tend to unite them; and the SFIO declaring they will not support the establishment of another Popular Front. While not openly endorsing another Popular Front, the PCF would, of course, welcome a reenactment of the events of 1934-37 under any slogan or pretext. For example, in the party's official organ, l'Humanite, on 16 January 1964, the PCF made public proposed changes in party statutes to be put before the Central Committee at the party's congress in Lille next spring. These changes are principally designed to further an anti-de Gaulle alliance with the SFIO and are made to sound like a major liberalization of doctrine. The pronouncements include statements that the PCF rejects "the idea that the existence of a single party is a necessary condition for the passage to Socialism," that the PCF can now foresee a peaceful way to Socialism, and that henceforth the election of (certain of) the party's committees would be carried out by secret ballot. 25X1C10b



27 January 1961

734 AF.g. Chou En-lai in Africa: China in the U.N.?

25X1C10b

**BACKGROUND:** Accompanied by Foreign Minister Chen Yi and an entourage of 75, Premier Chou En-lai's two-month African trip is a high level effort to end Communist China's isolation and increase its international influence. Chou's trip may be seen to be inspired by the desire for gains in three fields, namely:

1. To enlarge China's position on the Communist world map at the expense of the Soviet Union by: peddling her own border claims against Soviet-supported India; calling for another Bandung-type conference of Afro-Asian governments (without USSR and Yugoslavia) which China could dominate, as distinguished from the Belgrade-type non-aligned states conference favored by many African statesmen; labelling as false Moscow's claim to be opposed to the Afro-Asian proposal for enlarging the U.N. Security Council because China has not been admitted to the U.N.

2. To obtain increased diplomatic recognition which could also be turned into votes for CPR's bid to the UN. Of the 35 African countries now in the 113-member UN, 14\* recognize Communist China; 20\*\* recognize the Government of the Republic of China, a permanent member of the Security Council. In October 1963 the UN General Assembly voted 57 to 41 against admitting Communist China and ousting Nationalist China.

3. To increase her influence in developing areas by personal diplomacy where her own domestic economic failures have limited her ability to persuade by aid or trade.

African Reaction to the Trip. Chou En-lai has unquestionably given an astute performance and has made a favorable impression on his various hosts. He appears to have accomplished this much by careful attention to at least three cardinal points:

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\*Algeria, Morocco, Mali, Guinea, Ghana, United Arab Republic, Sudan, Somali, Uganda, Tanganyika, Zanzibar, Tunisia, Burundi, Kenya

\*\*Mauritania, Senegal, Gambia, Sierra Leone, Liberia, Ivory Coast, Upper Volta, Dahomey, Togo, Libya, Niger, Chad, Cameroon, Central African Republic, Gabon, Congo (Brazzaville), Congo (Leopoldville), Malagasy Republic, Republic of South Africa, Rwanda

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(734. Continued)

(1) Africa's recent arrival on the international scene and the absorption of the black African countries with their own local interests meant that many of them had only the most superficial, hearsay knowledge of China and her leaders. Despite the numbers of labor and political leaders and students travelling to China, the remoteness of her foreign culture and the self-imposed isolation of her diplomats abroad have also contributed to a cloudy picture. A smilingly responsive Chinese group, then, speaking in flattering words, could hardly fail to improve that picture.

(2) Interests held in common? Chou En-lai managed to create at least the temporary impression that China and the African countries had much in common as underdeveloped countries victimized by imperialists, revolutionary in character and non-white in composition. At least one of these attributes could be made into a charge against each of China's enemies in the East or West.

(3) Support for prejudices. Unable to promise financial help, Chou was lavish with both praise of his hosts and support for their particular prejudices. In the United Arab Republic Chou paid all-out lip service to the Arab cause against Israel. In revolutionary Algeria Chou told the Front Liberation National cadres that the revolution must continue -- even after independence. In Morocco he appeared to support King Hassan's claim of territory believed lost when the French altered the Moroccan-Algerian border prior to Morocco's independence. In Ghana, the African country with closest ties to the Soviet Union, he praised the anti-imperialist development and reportedly persuaded Nkrumah that India should negotiate the Sino-Indian border quarrel without insisting on Chinese acceptance of the very Colombo plan proposals which Ghana helped to formulate.

All these attitudes have been taken and their statements made with lofty disregard for facts and consistency. On the basis of performance to date Chou might be expected to reiterate, on his forthcoming visit to Guinea, the Conakry Chicom Embassy's vehement assertion that China has broken all trading ties with South Africa against whom the OAU countries are urging a world wide boycott. (China's trade with South Africa not only continued after 1 July 1960, announced as cut off-date, but has increased: China's imports from SA totalled some 1½ billion Guinean francs during the first six months of 1963 as against 12 million during the first six months of 1962; exports during the same period of 1963 totalled 105 million francs.) In East Africa he may play on his hosts' concerns over border wars. Tanganyika's large exile population is almost sure to draw his revolutionary ardor. But will he freely describe to President Nyerere China's role in

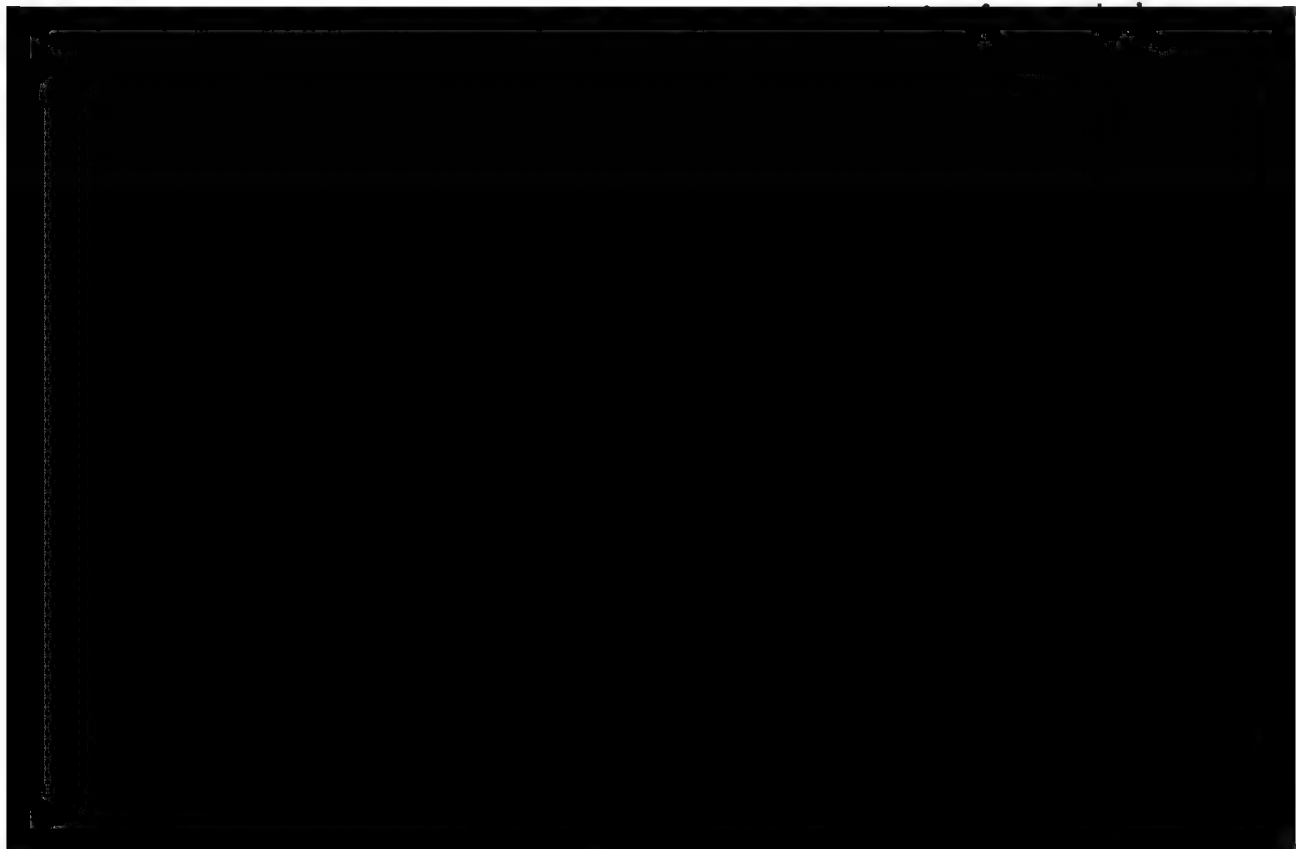


financing the subversive efforts of the NCNA stringer in Zanzibar, Tanganyika's island neighbor, which culminated in the 12 January overthrow of the constitutionally elected government? Will he drop any hint that his interests in Zanzibar may lie in its potential as a stepping stone to the richer prizes of East Africa including Tanganyika, itself?

French-influenced African States. In addition to those countries where Chou may have been persuasive, French recognition of Communist China may be followed by similar action from the UAM (Union Africaine et Malagache) states. Up to 12 countries would then be added to the list of those now recognizing Communist China.

Nationalist China's reaction. The Government of the Republic of China has refused, as has Communist China, to accept the so-called "two Chinas" concept. The test of their intentions may come first in France, then in Africa, if any country having GRC representation wishes to exchange representatives with Communist China.

Pakistan Next. After winding up the African tour, and perhaps returning to Europe briefly, Chou En-lai and his party are scheduled to visit their newest friend in Asia: Pakistan. Here they can be expected to trade on Pakistan's frustration over Indian rearmament (for defense against Chinese aggression) and to bring their anti-India propaganda campaign to full pitch. 25X1C10b





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735 FE,NE. North Vietnam: Economic Difficulties and Party Dissensions.

25X1C10b



**BACKGROUND:** Three factors dominate in North Vietnam: the economy is undergoing a series of failures and crises; there is an increasing commitment to Peking in the Sino-Soviet dispute, accompanied by increasing ascendancy in the Lao Dong (Communist) Party of a pro-Peking faction that advocates an extremist approach to the solution of problems; and finally, the dictatorship of Ho Chi Minh, the only leader that Communism in Indochina has ever known, is inevitably drawing to a close.

The Economic Situation -- Agriculture. The people in Communist North Vietnam are again enduring hunger from a severe food shortage -- food production goals have again not been met. Inability to produce sufficient food to feed their own people is nothing new to the North Vietnamese Communists. In 1962 North Vietnam's total agricultural production amounted to 5.7 metric tons and normal population increases indicate that the 1963 plan called at least for an increase to 6.1 million metric tons. Recent reports indicate that the tenth-month rice harvest -- the main harvest of the year -- was a serious failure and that as much as 50 percent of the rice originally sown was probably lost. Reserves of rice were already depleted by the series of poor harvests in recent years, brought on by a combination of bad weather, managerial blunders, universal peasant aversion to regimentation, lack of a realistic incentives system, and other obstacles to increased production that are endemic to collectivized agriculture.

Throughout this past year, Communist party and government officials have constantly complained of poor organization and leadership in the cooperatives, managers have been accused of waste and corruption, and peasants have been criticized for hoarding grain that they were supposed to deliver to the state. In short, the North Vietnamese Communists have encountered the same problems experienced earlier by the Soviet Union, Communist China and other Communist regimes. Agricultural setbacks have adversely affected North Vietnam's industrialization efforts, its foreign trade and exchange and the well-being and morale of the people. The Communist authorities, reacting in a typically dogmatic and doctrinaire manner, have imposed additional austerity and hardships on their people.

Industrial Problems: North Vietnamese plans for industrial expansion have likewise run into snags. Industrial growth was to have been based on a rapid expansion of capital construction and a rise in Communist-bloc aid from less than \$70 million annually (1955 to 1960) to \$110 million annually during the period 1961-1965. This industrial growth, in turn, was to yield

a rapid rise in export earnings and provide the essential imports of capital goods and technical assistance to implement the program. These ambitious plans failed to take into account the generally low level of technical and administrative skills of the North Vietnamese workers and of course they failed to anticipate the disruptions in Communist-bloc aid that would stem from the Sino-Soviet dispute. Capital construction fell off sharply in 1962 and declined further in 1963. The Sino-Soviet rift has not only reduced the overall volume of aid, it has virtually destroyed any coordinated use of that aid and thereby drastically reduced the effectiveness of this support.

Party Dissensions: In addition to contributing to North Vietnam's failure to meet its industrial and agricultural goals, the Sino-Soviet rift has also deepened dissensions and increased instability within the leadership of the Lao Dong (Communist) Party. As the Party has moved toward China's position in the dispute, the more extremist elements have come into power in the Party and the government. This militant and aggressive faction is led by the powerful party First Secretary, Le Duan, and probably includes Truong Chinh (former Party Secretary General), Le Duc Tho (Chief of the Party Organization Department), Nguyen Chi Thanh (former top political commissar in the army), and Hoang Van Hoan (former ambassador to China). This group is dogmatic and doctrinaire: "revolutionary spirit" and "revolutionary ardor" can perform miracles, they say and generally espouse extremist solutions to problems that are very similar to the Chinese Communist approach.

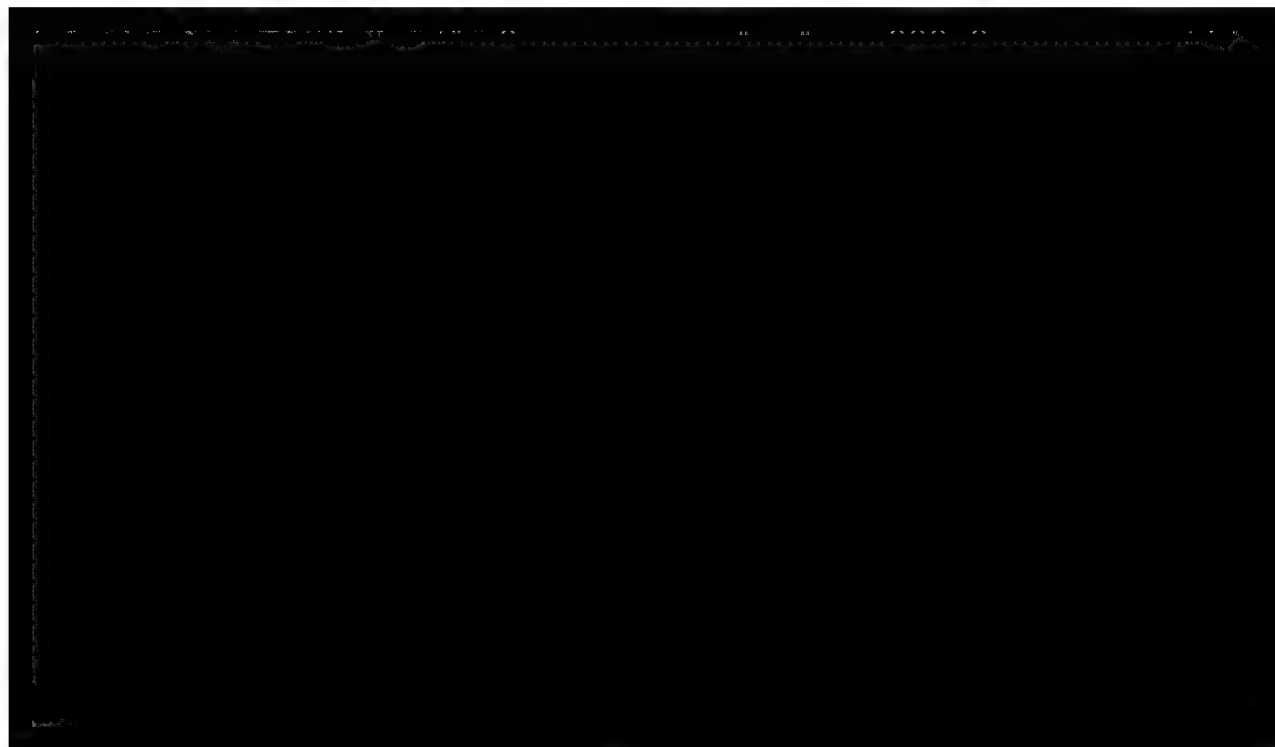
For example, the extremists, in spite of their industrial-development failures, are pushing ahead with their program for economic self-reliance through the expansion of heavy industry. This is entirely in keeping with Peking's recommendations (in spite of the lack of skilled manpower in the DVR and the CPR's own failures) and the Chicoms are supporting the plan by providing a steel mill to become the backbone for North Vietnam's steel industry. The Soviets, on the other hand, have suggested that an ambitious industrial program is impractical in such overpopulated, underdeveloped and resource-poor areas as North Vietnam; they propose that the North Vietnamese government should maximize production by specializing in areas where they hold a comparative economic advantage. Peking argues that this is nothing more than a camouflaged form of colonialism designed to subjugate and hold back the country, and the extremist faction in North Vietnam is quick to agree. The extremists brush aside the economic arguments against their plan and contend that the "revolutionary spirit" of the people will prevail in solving any problems that arise (a typical Chicom argument).

This dominating, aggressively extremist faction in Hanoi is determined to reunite Vietnam under Communist rule. The recently increased tempo of insurgent activity in South Vietnam is accompanied by new reports of more men and material being infiltrated by every possible means. Recently the South Vietnamese forces captured four anti-aircraft machine guns and a Viet Cong supply depot south of Saigon which yielded almost

300,000 rounds of ammunition, much of it of Chinese manufacture. The seven tons of material captured included two Chinese-type carbines, a Chinese-made rocket launcher, and two new 6-mm. mortars of Chinese manufacture. Authoritative articles in the North Vietnamese press openly endorse the Chicom position that national liberation wars can be undertaken without danger of nuclear escalation. An article by Nguyen Chi Thanh denounced people who are "afraid of the United States and think that any sharp opposition to the United States would bring about nuclear bomb blasts." He also predicted eventual victory for the revolutionaries by the classic means of Communist revolution and rejected the Soviet concept of peaceful acquisition of power.

In spite of the current ascendancy of the militant faction, a firm facade of unity has been preserved. This apparent stability has clearly resulted from the pre-eminence of Ho Chi Minh, who has ruled the party with an iron hand since its formation 33 years ago. Ho has remained above the factional rivalries, using them and carefully balancing one group against the other. This disunity in the Party and Ho's tactic of using one faction against the other has prevented him from designating a successor, even assuming he would want to undercut his own authority by so doing. In view of Ho's advanced age, the rivalry between the extremist and the more moderate factions has become particularly acute because both realize that the group ascendant at the time of his death will have an advantage in the power struggle for succession. Neither group can afford to sit back and count on validating its position in the long run; each must seek to win Ho's approval and inheritance on an almost daily basis. Such circumstances in themselves will undoubtedly exacerbate relations between the two groups.

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(735.)

27 January 1964

736 WE, g. PANAMA: The Riots and Their Aftermath

25X1C10b

**BACKGROUND:** Several important facts stand out about the riots which took place in Panama on the night of 9-10 January: a) U.S. prestige has suffered a severe blow, particularly in Latin America. b) Press and radio reporting, both during the rioting and for some time afterward, has ranged from one-sided against the U.S. to outright false and wildly inflammatory. c) The demonstration march into the Canal Zone on the afternoon of 9 January was planned and controlled by students with known Communist affiliations. d) President Roberto F. Chiari has placed himself and his government in an exceedingly hazardous position by confronting the United States with a virtual ultimatum.

**Contentions and Reporting.** In Latin America, political leaders are increasingly responsive to pressure from the masses, particularly where irrational nationalist issues are concerned. In instances of serious disputes with the United States, Latin leaders tend to stick together in an informal united front. In the case of the twenty Panamanians who died in the riots, the majority of the Latin Americans will tend to believe the Panamanian -- and even the Cuban -- versions of what happened. These are so distorted and so one-sided that, even if the casual reader makes generous allowance for exaggeration, he may still be left with a residue of alleged facts sufficient to convince him that the United States was primarily responsible.

In addition, certain sectors of the U.S. press have written about the incidents from the attitude of the ex-imperialist with a bad conscience. In so doing they lean over backward in attempting to be fair, play up past and present U.S. injustices, the wealth and snobbishness of the Zonians, the poverty of the Panamanians, and say little about either the seriousness of the outbreaks or who was responsible for them. Thus, there is the danger, even the probability, that millions of Latin Americans now believe that the United States was responsible, and was the "aggressor."

The truth is that both U.S. soldiers and authorities in the zone acted with great restraint. President Chiari's use of the term "aggression" to describe the defensive action of the U.S. soldiers was a cynical and irresponsible act not commonly expected of heads of State in the Western World.

One of the bones of contention between Panama and the United States is the question of sovereignty in the Canal Zone. The original treaty granted to the United States... "All rights, power and authority within the Canal Zone...which the United States would possess if it were the sovereign of the

(736 Cont.)

territory...to the entire exclusion of the exercise by the Republic of Panama of any such sovereign rights, power, or authority." Until 1960, only the U.S. flag had been flown officially within the zone. Then, after much agitation, some of it during the riots of November 1959, President Eisenhower decided to allow the flag of Panama to be flown at one point along with the U.S. flag. Later, on 10 January 1963, at Panama's insistence, President Kennedy ordered that the use of the Panamanian flag be generalized throughout the zone, and sixteen places were specified where the two flags were to be flown together.

The Students. Since certain U.S. students and Zone residents sought to fly the U.S. flag alone at the Balboa High School, the Zone authorities ruled that no flag would be flown at the schools within the Zone. In defiance of this order, the students of the Balboa High School, some encouraged by their parents, raised a U.S. flag and defied orders to take it down.

On the afternoon of Thursday, 9 January, a group of Panamanian students set out from the Instituto Nacional, a local school, carrying a Panamanian flag and apparently intent upon a peaceful demonstration within the Zone and in the neighborhood of the Balboa High School. After some rowdiness and scuffling between Zone students and Panamanian students, Zone police ordered the latter to leave the Zone, which they did, overturning some garbage cans and breaking street lights as they proceeded.

The Rioters. At first it was thought that the riots had erupted more or less spontaneously from these innocent beginnings. Later investigation, however, has revealed that the group that marched from the Instituto Nacional was organized and led from the beginning by students known to be Communists or affiliated with Communist causes. Among those positively identified were the following: student leaders Victor Avila, Carlos Nunez, and Floyd Britton; CP women's leader Virginia Ramirez; Thelma King, pro-Castro Deputy of the National Assembly; student leaders of the Instituto Nacional, Cleto Souza, Ruben Dario Souza, Jorge Turner, Cesar Carrasquilla.

Within a few hours, other Communist leaders had organized mobs of thousands of idlers, students, and hoodlums, who attempted to invade the Canal Zone, roamed through the streets of Panama City, looting stores, burning cars and buildings, breaking plate glass shop windows. Between 100 and 125 American-owned automobiles were burned, and the U.S. Information Agency building and the Panamanian-owned Pan American Building, among others, were completely destroyed.

The first wave of rioters attacked a point on the Canal Zone border defended by only 15 zone policemen. Outnumbered over one hundred to one, the latter soon expended their tear gas bombs and were forced to fire on the ground before the onrushing mob. If they had not, they would have been overwhelmed and the zone



invaded at that point. At approximately 2130 hours local time, U.S. troops took over from the zone police. By now, the crowds that attacked were larger, better equipped, and better organized: they attacked not only with bricks and stones, but also with Molotoff bombs and rifles and pistol fire. The U.S. troops, all trained in riot control, first used tear gas, then fired into the air with shotguns, then on the ground, in front of the rioters. At one point U.S. troops did not fire until three were hit by snipers. Two more were hit before the snipers ceased fire.

Contrary to the impression given by Panama press and radio, not all the casualties suffered by the Panamanians resulted from wounds inflicted by U.S. troops: at least seven of the dead were asphyxiated or burned in fires which the Panamanians themselves had set. One additional death and many wounds were caused by falling glass (i.e. in connection with looting).

Evidence of the lengths to which U.S. authorities had gone to avoid bloodshed is the fact that one of the soldiers killed by a Panamanian sniper's bullet, Staff Sergeant Luis Jimenez Cruz, was carrying an empty rifle. Another indication of the local efforts to control the riots in as humane a manner as possible is the fact that a total of 15,000 (fifteen thousand) tear gas bombs were used.

SOME ECONOMIC FACTS: The Panama Canal Company, which operates the canal and related enterprises, is a non-profit corporation under a federal charter managed by a board of directors appointed by the Secretary of the Army as the sole stockholder of the company. By 1914, the original construction cost had reached 375 million dollars. To date it has cost approximately one billion, of which 700 million represent unrecovered investment.

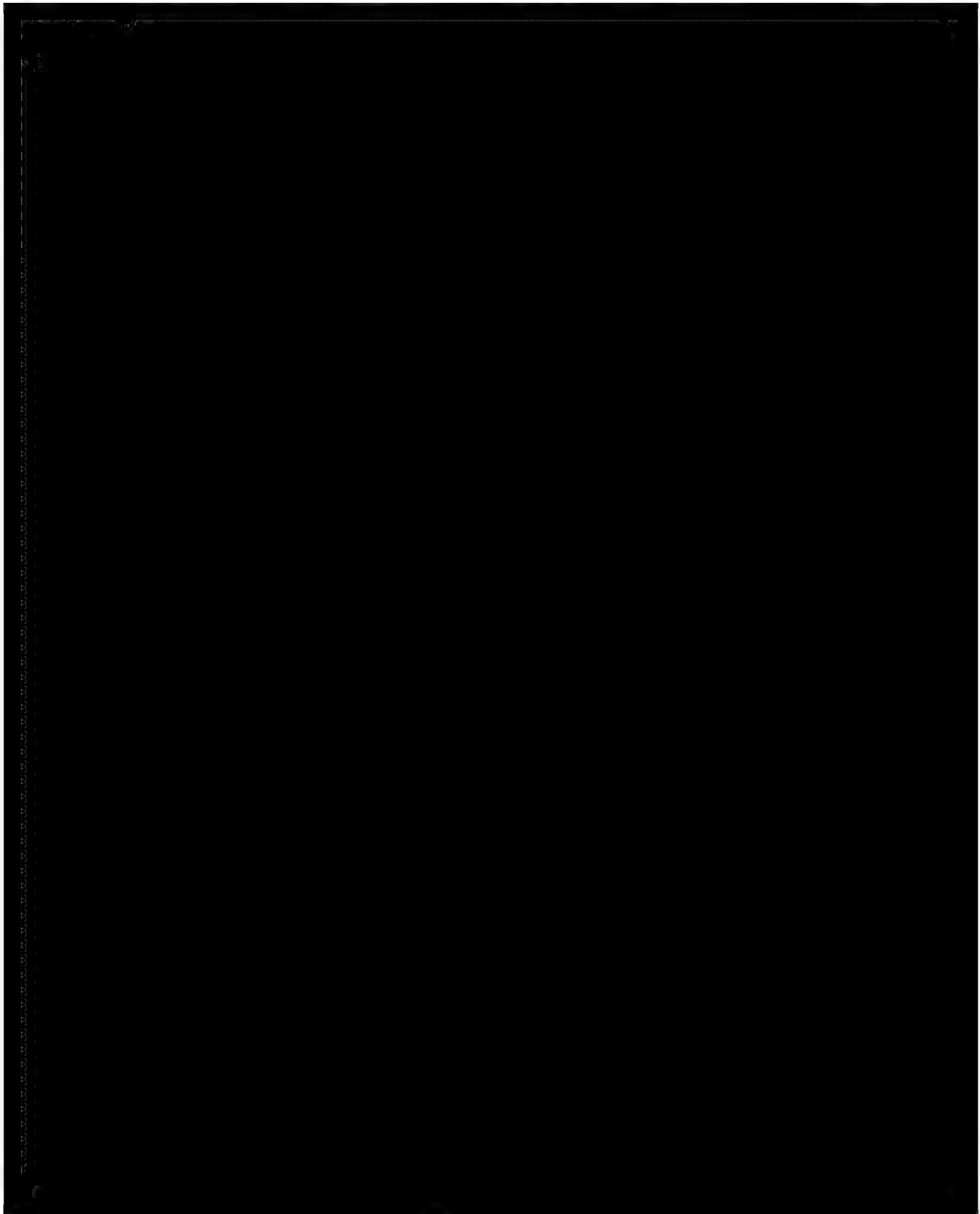
Each year the costs of the Company's operation are entered as an expense item in the federal budget, paid off later in the fiscal year by income from tolls and other enterprises. Normally, therefore, the Canal costs the U.S. government nothing, although in the last ten years capital outlay for widening the canal and channel improvements has caused a small annual deficit.

The Panamanian government, with an annual rental income for the Zone of \$1,930,000, actually realizes a greater profit than does the U.S. In addition, on the plus side for Panama, some 82 million dollars a year enter Panama's economy as a direct result of the presence of the Canal: tourists, Panamanians employed in the zone, goods and materials purchased in Panama by Zone government and residents. This is more than the government's annual budget and 15% of Panama's gross national product.

The Zone government, which costs some 14 million dollars per year, provides schools, libraries, museums, clinics, veterinary and preventive medicine and quarantines within the zone, some of which facilities are of indirect benefit to the Panamanians. The Canal Zone company also furnishes water to Panama City,

probably the only capital in tropical America where the water is potable.

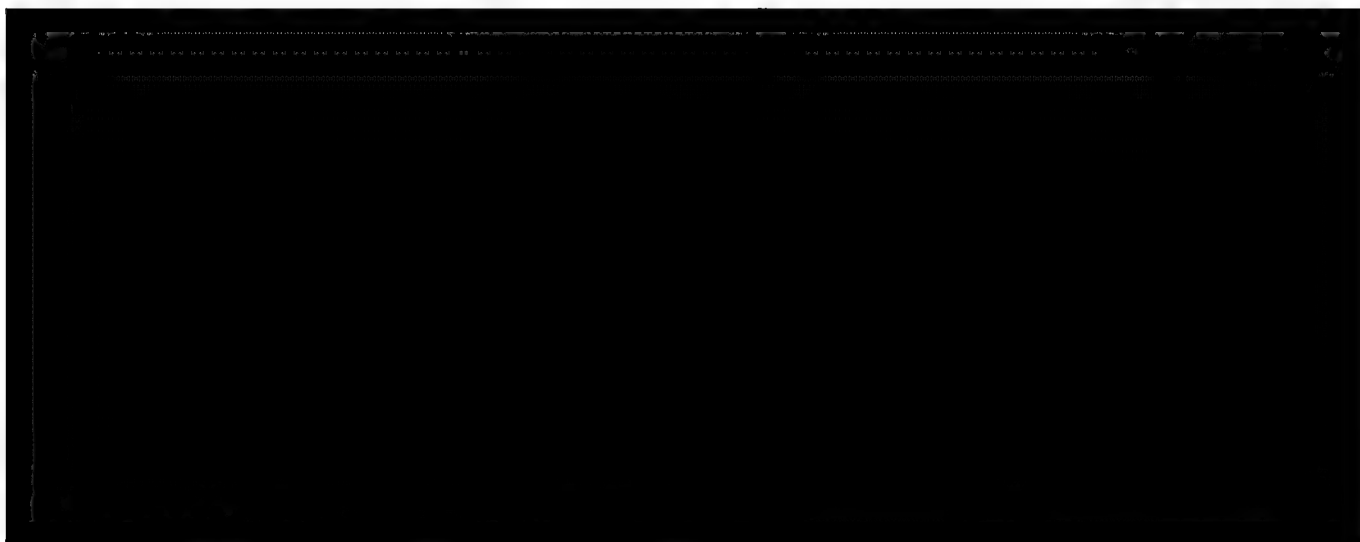
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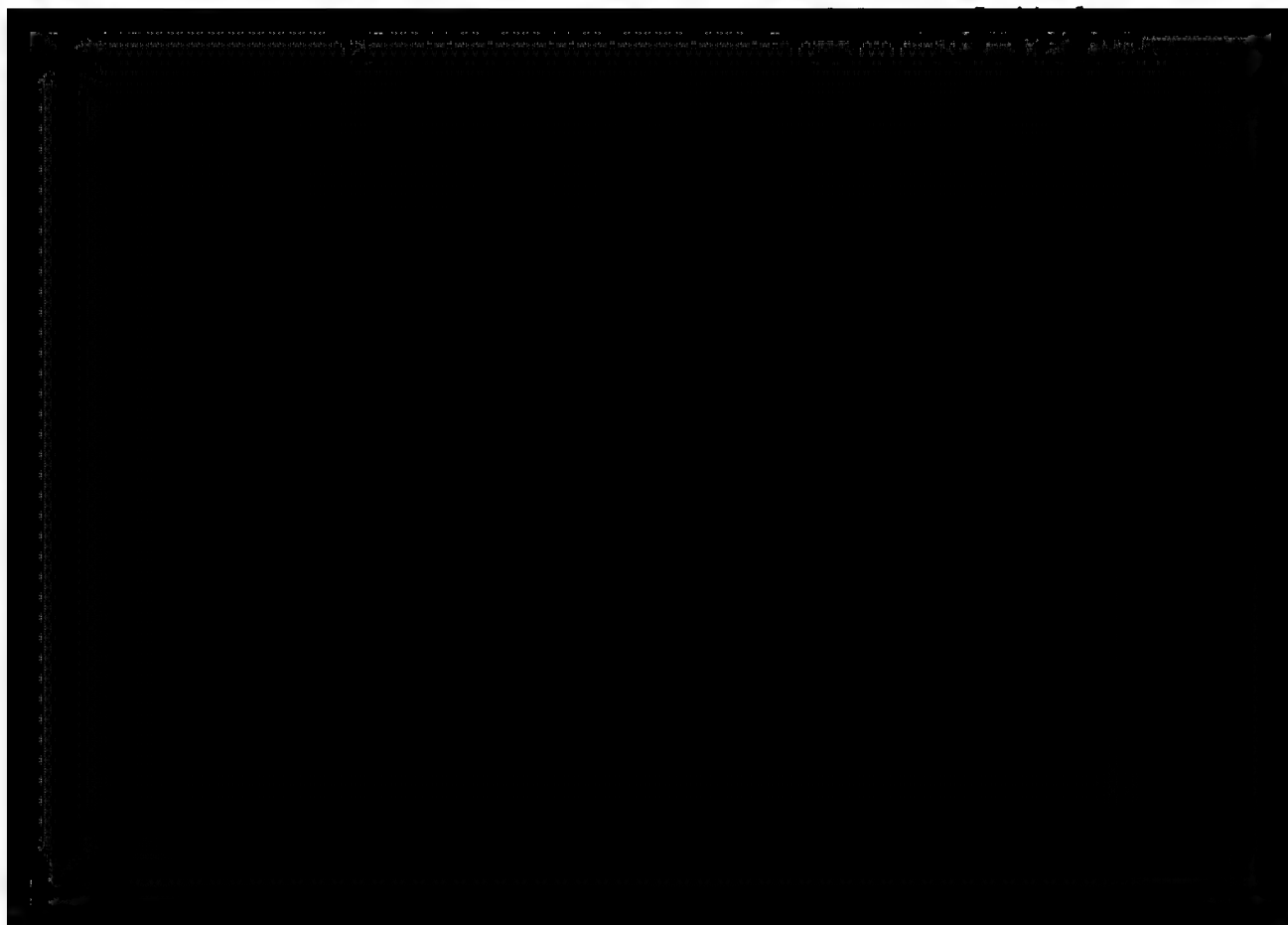


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737 EE,WE. "Easter Marches"

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**BACKGROUND:** "Easter Marches" are again scheduled to take place in European countries. This year, the marches respond to the slogan "Campaign for Disarmament -- Easter March of Foes of Atomic Weapons." While in the country of origin, England, the movement appears to have been sufficiently exposed and now attracts less attention, there is reason to believe that on the continent, especially in West Germany, it is making operational and propaganda progress. In preparation for the marches, "Easter March" activists write letters, seek talks with governmental and church officials, trade union and political leaders, etc. in efforts to create support for, or at least tolerance of, their propaganda disarmament theses -- which supposedly oppose Western and Bloc armament policies alike.

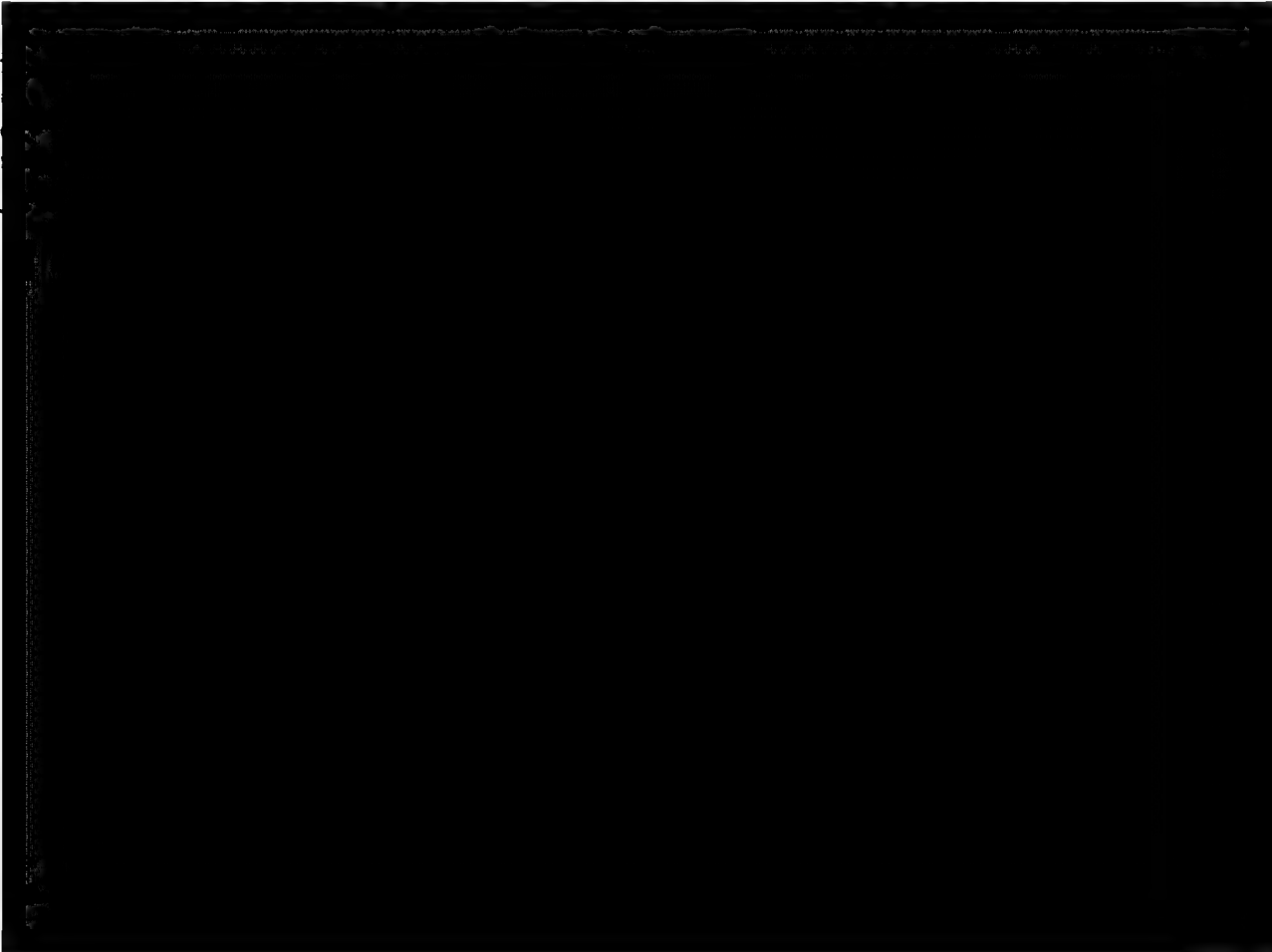
In Europe, "Easter Marches" have increasingly had the objective of demonstrating against German re-armament. Aiming at the same objective, the World Peace Council (WPC) has published a 63-page booklet, "Peace-endangering Policies in the Federal Republic of Germany." A foreword states that the WPC considers it its duty to bring to the attention of world public opinion the activities of the forces which increase international tensions and aggravate the cold war, intensify the arms race and heighten the danger of a nuclear war. An appendix quotes the resolutions and recommendations on the German problem adopted by the WPC Presidential Committee in Stockholm in October 1962, calling for the convening of a European conference on the German problem.

Well-known "Easter March" promoters have participated in WPC meetings during the last few years, including the WPC council meeting in Warsaw, Poland (Nov. 28 - Dec. 1, 1963) where a report on "Easter March" activities in the Federal Republic was featured. German "Easter March" activists have connections with a variety of Communist front groups (such as the West German Women's Peace League, German Peace League, etc.) but West German "Easter Marchers" are urged to participate in the marches as private persons, i.e., not in an "affiliated" status. Although the promoters of "Easter Marches" oppose nuclear armament in East and West, their argumentation is one-sided. According to them the economies of the capitalist nations of the West depend on nuclear armament, whereas all military measures of the Bloc, including the maintenance of a nuclear capability, are viewed benevolently as defensive. On the German and Berlin questions, the "Easter March" movement has repeatedly supported the policies of the Soviet Union.

The "Easter Marches" may have propaganda impact inimical to Western defense efforts and may strengthen neutralist tendencies. "Easter Marches" and attendant publicity could conceivably be used to enlarge differing views on European defense policies.

(737. Continued)

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While Khrushchev claims that "we have the strength to go on competing in the economic field, in science and research and even in the armament field," and while Soviet propagandists indignantly deny assertions of the US State Department and Central Intelligence officials that Soviet output has dropped and that Soviet gold reserves are low, the Soviet Union has shown great interest in securing western machines and equipment on a credit or loan basis. The problem is especially acute just now because of the need for grain imports, and because of Khrushchev's current campaign to build up a chemical industry to produce fertilizer. But the Soviet economy has been overburdened for some time, what with the effort to give some slight satisfaction to the Soviet consumer, the attempt to outpace the West in modern weapons, and the desire to impress the world with Soviet growth statistics. Thus the USSR has a need for the products of the non-Communist world, and since this world is interested in markets, the Soviets have little difficulty in finding suppliers; the problem is, how is the USSR going to pay them?

In recent years, the Soviets have consistently imported more goods and services from the industrially-developed, economically stable countries than they have exported to these areas. The Soviet Union's deficit in hard currency jumped from about \$100 million in 1959 to \$350 million in 1962. With imports of Western machinery rising from \$200 million in 1958 to \$600 million in 1962, and with the import of \$800 million worth of wheat (10 million tons) in 1963, this deficit could be doubled this year.

How does the USSR import more than it exports? The deficit has in the past been covered by large sales of gold, and also by medium term credits from the industrial nations. There are signs that Soviet leaders consider any further depletion of gold reserves to be undesirable, so that the future financing of chemical equipment and other imports will probably depend on Western loans.

No doubt the USSR could manage without additional imports from the West, but such self-reliance would involve costly readjustments. If credits were to increase from the present figure of \$300 million a year to \$500 million a year, and if the term of the credits was extended from 5-6 years (present schedule) to 10-15 years, \$1 billion worth of additional equipment could be imported, beyond that paid for by exports, gold sales, and short-term loans. In terms of the cost of production in the USSR itself, this equipment would be worth much more than \$1 billion. Soviet production of these wares would require the use of the scarcest resources the Soviets employ: specialized materials, complex machinery, and highly-skilled technical manpower. At present, these resources are used for other investment and for the military and space effort, and their diversion to chemical and other new programs would entail a cutback in the older investment and military programs. Also it would take considerable time and money to carry out the transfer.

Soviet agriculture, long neglected, is now taking its revenge. Even before the 1963 crop failure was known, Khrushchev

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had begun to realize that really massive investment, particularly in fertilizer, would be required to overcome years of neglect and soil exhaustion. This involved one costly program, designed to raise the annual production of chemical fertilizer from 20 million tons in 1963 to 70-80 million tons in 1970. (In fact, Khrushchev urged a 1970 target of 100 million tons, but has been obliged to forego this target.) Then, at the end of 1963, a second unprecedented expense arose: the purchase of approximately 10 million tons of grain from the West. Gold reserves were poured out for grain, leaving the payment for the rest of the needed chemical equipment somewhat up in the air.

Soviet imports of wheat from Canada and Australia will cost the USSR about \$555 million by the end of 1964. The USSR is still seeking grain elsewhere, and may buy as much as \$225 million worth from the US, paying cash or using short term credits. Meanwhile, Soviet orders for industrial equipment have soared. Contracts signed during the past year for Western machinery and equipment total more than half a billion. Principal purchases include chemical equipment for producing fertilizers, plastics, and synthetic fibers, and ships for fish processing, refrigerator transport, general cargo, and tankers. Bids for additional plant and equipment, especially for fertilizer, have recently been invited, but since the beginning of large scale wheat imports in September 1963, the Soviets have slowed down in their efforts to buy non-chemical equipment. No doubt they are hoping to work out more favorable terms of payment, since there is little else they can do. They might be able to cut down on unessential imports to a slight degree, but with adverse effects on public morale. Current Soviet exports will only be paid for a couple of years hence, and cannot be expanded rapidly. Drastic price-cutting on exports would not be very helpful, since the lower prices would offset any increase in volume, and since Western resistance (e.g., tariffs and quotas) would result.

The American Central Intelligence Agency recently announced that Soviet gold reserves had fallen to less than \$2 billion, an estimate which has met with much skepticism. If the figure is correct, Soviet officials probably regard the situation with some alarm, since they have sold more than this amount since 1955, and almost a half billion in gold was sold in 1963 alone. One cannot judge the validity of CIA's figure without access to its data and knowledge of its procedures. But various indications show that the Soviet leadership is concerned about its balance of payments: new extensions of Soviet credits to underdeveloped nations (whose repayment, for example in the case of Indonesia, is sometimes highly problematic) have declined from a \$546 million figure in 1961 to \$76 million in 1962 and \$61 million in the first half of 1963; Soviet travel to non-Communist countries has been curtailed; contributions to the UN are contested and where possible, evaded; severe sentences (including death) are given to black marketeers in gold and foreign exchange, and to those who steal gold from Siberian mines. Izvestia has indicated, in a profile story on a Siberian truck driver, that various of the Magadan mines (once worked by slave labor,

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and presumably closed as unprofitable) have been reopened; as Victor Zorza points out in the Manchester Guardian, the Magadan gold fields appear to be similar in geological structure to those of the Klondike in Alaska, which have long since been virtually exhausted. In regard to CIA's veracity, it can be noted that when Pravda claimed on 13 January that CIA's figures showing a Soviet GNP of 2½% were a "bourgeois fraud," that newspaper also disclosed that the Soviet national income for 1963 was 170 billion rubles, or two and one-half times the 1952 figure; if this figure is compared with the 1962 national income reported in the Soviet Statistical Handbook, it appears that Soviet growth in 1963 was 3%, or only one-half of one per cent above the CIA estimate.

Supposing that the USSR was able to get larger credits for longer terms, say 10 year credits at the rate of \$500 million annually, the Soviets could acquire \$1.1 billion more worth of equipment than they can pay for on a current basis. The day of reckoning would come, however. After 1970, repayments plus interest would exceed new credits. Generally speaking, the Soviets have a good record in repaying commercial credits. This is not because they are men of their word, but because they have had more to lose than gain by showing bad faith; the amounts they have owed have never in the past greatly overshadowed the amount they hoped to borrow. But with a large, longer term debt, the situation would be different, and it is not impossible that there might be a repudiation of Khrushchev's debt by some successor of his, just as there was repudiation of Czarist debts by Lenin. The Soviets will certainly not be influenced by any respect for "bourgeois morality."

WASHINGTON POST  
22 January 1964

CPYRGHT

# Matter of Fact . . . . . By Joseph Alsop

## The Communist Role

THE REASONS why the settlement in Panama swiftly came apart at the seams can be pretty well summed up in two names: Solis Palma and Eloy Benedetti.

In the divided Panamanian government, these two men led the opposition to any settlement whatever—at least on terms that the United States Government could accept. They were briefly overruled by President Roberto Chiari, when he accepted the settlement proposed by the Peace Committee of the Organization of American States.

Chiari had no sooner signed the communique, however, than Solis Palma and Eloy Benedetti renewed the attack. Under pressure from them, the Panamanian President first re-interpreted the communique he had signed, to mean that the United States would forthwith renegotiate the whole Canal treaty.

When this interpretation was denied in Washington, Chiari then went still further, breaking off relations with the United States for good and all, and declaring that abrogation of the treaty was the first essential for renewed talks. Again, his inspirers were Solis Palma and Eloy Benedetti.

The role played by these two men gains a fairly lurid interest from the fact that they are the two known Communists in the higher reaches of Panamanian officialdom. Benedetti, as legal adviser to the Foreign Minister, holds an inconspicuous but influential position. He is also an adherent



Alsop

of the Communists' Castroite group.

Solis Palma's factional sympathies are not known. They are not significant at present in any case, since the pro-Castro Communists, who also tend to be pro-Chinese, seem to be working closely with the Panamanian Party's pro-Moscow group, at least thus far. What is very significant, however, is Solis Palma's key post as Minister of Education.

As Minister of Education, Solis Palma is both the protector and the voice in the cabinet of the pro-Communist student movement, which if of course led by full party members. Of these, a good many have also been trained in Cuba.

The Minister must in truth be regarded as the active collaborator of the 45 Communist agents, including 13 with Cuban training, who were identified among the leaders of the riots last week. He also has direct links with the Vanguard of National Action headed by Jorge Turner, who is bankrolled from Havana.

These facts are important, not only because they shed useful light on the present situation in Panama City, but also because they helped to explain the grim tone now being taken here in Washington.

There was a moment, after the signing of the communique, when high hopes were entertained of a settlement fruitful for both sides. But these hopes turned out to be wholly false when President Chiari succumbed to the pressure applied by Benedetti and Palma.

THE TONE here now is grim for several reasons. In the first place, President

Chiari's declarations since he signed the communique have painted him and his government into a corner. Negotiations will certainly not be reopened by President Johnson on the basis demanded by President Chiari; yet the Panamanian President has gone too far to withdraw his demands.

Secondly, this can lead to renewed outbreaks of violence. For it hardly seems possible that the Americans in the Canal Zone, and the Panamanians on the other side of the fence, can simply remain in a permanent silent deadlock, merely glaring at one another through the fence along Canal Zone border. The Vanguard of National Action will certainly call for violence if the deadlock continues.

Thirdly, the likeliest outcome is a break in the deadlock, resulting from President Chiari's removal from office by a coup d'etat—such as former President Arnulfo Arias is almost openly trying to organize. But a leftwing, Communist-led coup d'etat is on balance quite as likely as a rightwing coup d'etat. It is a toss-up which side will move first, in truth.

If another mob attack on the Canal Zone is organized, President Johnson will have no recourse except to order the substantial United States force in the Zone to repel the attackers. It is also a 3-to-1 bet that the President will use any means necessary, including even United States troops in the last resort, to prevent the installation of Castroite government in Panama.

In short, some very ugly things can happen, as this crisis develops further.



SATURDAY EVENING POST  
23 APRIL 1960

## Why Do They Hate Us?

PANAMA CANAL ZONE.

To the weather-beaten captains who brought the ships in from the sea, and to the pilots who nosed them gently into the locks, the first Tuesday of last November was just another working day on the Panama Canal. Between dawn and midnight thirty-one big cargo carriers, flying the flags of fourteen countries and laden with nearly 250,000 tons of oil and ore, lumber and automobiles, beef and barley and a thousand different kinds of manufactured goods, moved in both directions between the Atlantic and the Pacific in an operation that went so smoothly it seemed almost automatic.

Less than a half mile away from the Pacific entrance to the canal the day was passed less tranquilly. Along Fourth of July Avenue, the boundary street that separates the green palm-shaded lawns and pleasant houses of the Canal Zone from the foul and swarming slums of Panama City in the Republic, a mob began to gather early in the morning. It bore signs proclaiming DEATH TO THE GRINGOS and YANKEE GO HOME, and it carried Panamanian flags which its members were determined to plant within the Canal Zone beside the Stars and Stripes. For five hours they cursed and stoned the Zone police and firemen who blocked their way until finally, after twenty-five of the Zone's defenders had been hurt by flying rocks, the infantry troops who guard the canal moved in with tear gas, bayonets and birdshot to turn them back.

The mob then moved across town to the office of the United States Information Agency, where the demonstrators smashed the windows and wrecked a display honoring Panama's Independence Day. Then, led by Aquilino Boyd, a demagogic young politician with a burning desire to be president of Panama, and Dr. Ernesto Castillero, a tiny, viciously anti-American young professor from the politically turbulent University of Panama, they marched on the American Embassy. There, while an armed Marine Corps guard under strict orders not to shoot looked on helplessly, they tore down the American flag from its tall mast on the lawn, ripped it to shreds and made obscene gestures with the fragments. They then ran up the two-starred Panamanian flag, flung stones through the embassy windows and went on their way.

The obvious first question a visitor asks is "Why?" Why this sudden attack upon the Canal Zone after fifty-six years of peaceful relations in which an increasingly tolerant and benevolent United States Government had granted nearly every reasonable Panamanian demand? At first glance there seems to be no logical explanation. The Panamanian economy depends on the United States and the more than \$60,000,000 the Canal Zone spends here each year for wages, goods and services. Without the Zone there would be no canal, and without the canal Panama would still be a backward province of Colombia—or just another fever-ridden banana republic steaming under the tropic sun. Why, particularly, should the rich and presumably conservative publishers of Panama's newspapers—men who themselves would be sure to lose everything in a country ruled by violence—lend the pages of their newspapers to savagely anti-American cartoons and editorials designed to inflame the passions of the mob?

One plausible but incomplete explanation quickly presents itself. This is an election year in Panama—the time when the twenty or thirty powerful families who rule the country engage in their quadrennial political battle to decide which of their number will have the privilege of distributing the spoils for the next four years.

The outgoing president, Ernesto de la Guardia, who was educated at Dartmouth, is an honest but gentle and unforceful man who has genuinely tried to help his country. But he has not the time nor the power to repair the damage done by generations of oligarchic misrule.

As a result the country is a powder keg, and the fuse is lighted and burning. The poor Panamanian—and out of a population of 1,000,000 most Panamanians are poor—is seething with discontent. Beneath the dull-eyed lassitude with which he goes about his daily tasks there is a boiling anger, a sense of frustration and resentment so deep that even at carnival time, when all the Latin world explodes with gaiety, in Panama only the very rich, and the little children in the slums, showed many signs of merriment. The people dressed in carnival motley all right, and they massed in the streets by thousands, but there was little sense in them of that wild joy which carnival brings to Rio or New Orleans.

It is easy, therefore, for a politician of the stripe of Boyd, ambitious to break into the magic circle of the oligarchy where riches are distributed, to stir the poor man's anger. It is even easier to direct it against the United States, by an involved process of argument which goes somewhat like this:

The narrow isthmus that lies between the two great oceans is to Panama what oil is to Venezuela, coffee to Brazil, copper to Chile—a great natural resource. The United States has exploited this resource by building a canal. It therefore follows that the people of Panama are poor and

hungry because the United States is not giving them their share of the wealth that their only asset—the canal—produces. The United States withholds this largess by denying that Panama has any authority, any sovereignty, in the Zone. A country's flag is the symbol of its sovereignty. Therefore the Panamanian flag must fly in the Zone even if it is necessary to place it there by force.

It is to be strongly doubted that the tattered mob which followed Boyd knew what he was talking about when he spoke of the flag as a symbol of sovereignty. Nor did they greatly care. The attempt to plant the flag merely gave them an outlet for their anger—a chance to express the envy and resentment they have built up against the Americans who live and work in the Zone, as remote from their Panamanian neighbors as from the citizens of Timbuktu. This resentment is not confined to the street rabble who make up the rock-throwing mobs; it is felt in some degree by Panamanians in every walk of life, including the many who were educated in the United States. The young Panamanian engineer, trained in the States, resents the fact that for security reasons he cannot practice his profession in the Zone. The Panamanian storekeeper considers that the Zone's commissaries and military PXs are filching money from his pockets. The Panamanian brewer is not pleased that the Zone's beer drinkers prefer Dutch or Danish beer to his product, and the prominent politician who has a near monopoly of Panama's truck and bus lines, complains that the Zone's trans-isthmian railroad is ruining him. The anger against the United States manifested by the newspaper publishers is explained in part by the fact that most of them raise

beef on their farms—and the Zone, until recently, was buying better and cheaper beef from New Zealand.

The rocks the wealthy Panamanians shy at the Zone are diplomatic missiles, and they draw no blood and cause no international crises, for since Franklin D. Roosevelt's time it has been our policy to accede to their demands. Economic concessions, though, do little to soothe the deeper resentments that have been smoldering here ever since the first Americans moved into their pleasant little colony on Balboa Heights. Neither these first Americans nor those who followed them came to Panama to absorb Latin-American culture, to learn Spanish or to associate with Panamanians. They came to dig a canal and to operate it once it was dug, and they were determined to create a little piece of America here, where they could live exactly as they had lived at home. Their children and their grandchildren who were born and brought up here cling stubbornly to that same ideal.

This naturally angers the Panamanians. Seclusion, they admit, was necessary in the early days, for there was no decent housing in the Republic then, no clean food markets, no good stores. This situation does not prevail today, when tall modern apartments rise from every hill, supermarkets stand on every corner and fine stores offer goods from all the world.

"They used to be friendly," the Panamanians point out indignantly. "Once we

were like one big family. The Americans came over every night. The bars, the clubs, the restaurants were full of them, mingling happily with the Panamanians."

Perhaps it is unkind to point out that in this time which the Panamanians remember so nostalgically the Americans actually were not coming to mingle and make friends. They were coming to get a drink. The United States was dry and so was the Zone, and the bars of Panama and Colon were the only places where a man could quench his thirst. As soon as prohibition ended and liquor could be bought cheaply in the Zone, the visits dwindled, to the great and audible anguish of the Panamanian saloonkeepers. Along with legal liquor the Zone, over the years, has also come to provide its own with all the other amenities of the good life. Along with food and housing and medical care at reasonable rates, the Zonian has churches, schools, lodges, clubhouses, hobby shops, swimming pools, playing fields, bowling alleys, tennis courts and golf courses, and the leisure to enjoy them. He feels, therefore, no need to visit his noisy neighbors across the street.

There are other and deeper reasons, though, why the Zonian segregates himself from the Panamanian of the town, and these, perhaps, are the underlying causes of most of our troubles here. The first Americans who came to build the canal were Southerners, in the main, and they brought with them their inborn prejudices against men of another color. Mechanics and artisans by trade, their roles in life did not bring them in contact with the educated, highly cultured white Panamanians of Spanish descent. The Panamanians they did meet looked to them exactly like the colored folk they had left back home, and they were quick to raise barriers that would keep the two races separate—the "gold" and "silver" payrolls, the separate housing areas, commissaries and schools. The old prejudice has lessened a little over the years. The gold-and-silver payroll has been supplanted by a concept of "equal pay for equal work." White Americans and dark Panamanians now drink from the same fountains and use the same rest rooms in the office buildings. But the unofficial attitude of the Zone toward segregation is still about the same as that of Mississippi.

There are other gulfs between the Zone and Panama which the years have not bridged. The United States citizens in the Zone live by the moral code of the American middle class, which demands that a wedding take place before a young couple settles down to rear a family. In Panama, to all but a few hundred families of the upper class, a wedding is a waste of time and money. "Consensual" marriages carry no stigma, nor does illegitimacy. The Americans also believe that a married man should at least make some effort to remain faithful to his spouse. To the Panamanian male of any class, this is ridiculous. Fidelity is a sign of weakness, not of virtue, and among wealthy Panamanians the man who does not keep a mistress is as rare as a polar bear.

The American knows, of course, that to remain apart in antiseptic isolation he has had to live in what is, in effect, a sort of pleasant prison, where his every action is ordered by a Government regulation. The knowledge sometimes chafes him, making him petulant. With no big issues to occupy his mind—for all big decisions are made for him—he becomes querulous

about little things. He can get worked up about an increase in the price of ice-cream cones from five cents to a dime, or why the cleanup gangs did not pick up the fallen palm fronds from his lawn as they were supposed to do. In the main, though, he is content with his chains, and will fight to draw them closer about him. The actual operation of the canal has not changed much in fifty years, and he can do his job without mental and physical strain. He knows that if he keeps his eyes open and his nose clean—to use his own expression—he can remain on the Zone payroll until he is pensioned, drawing a wage 25 per cent higher than he would make at home. His ancient enemy has been the Congress, which once sought to cut his differential pay to 10 per cent and which sorely grieved him in 1951 by requiring him to pay income tax. He also at times has been piqued with the present governor, Maj. Gen. William E. Potter, who raised his house rent to a more realistic level, and whose highly efficient administration has discovered how to operate with fewer men, thus casting a few unhappy Zonians back into the cold and competitive Stateside world. Congress, though, has been forgiven for its trespasses on his perquisites, since it took a strong stand against flying the Panamanian flag in the Zone, and the governor became a hero when he called out the troops to turn back the mob in the time of the November troubles.

Adlai Stevenson, on the other hand, is on the Zone's black list. Stevenson, after a short visit to Panama late last February, issued a statement in which he said that to him "the greatest problem we have in Panama is the exclusive community of American citizens that has grown up in the Zone and has little contact with the friendly country around them." "Steps should be taken to break down these barriers," said Stevenson, "and to call upon these fellow citizens to behave like good Americans living abroad."

This brought a howl of outrage from the Zone, but to a number of other "good Americans living abroad," it had the sharp ring of truth. There is a large community of American businessmen representing many of the country's top firms who live happily with their families in the republic. They live surrounded by Panamanian neighbors, mix with Panamanians both socially and in business, and find the experience neither unpleasant, hazardous nor contaminating to the morals. Just as the Zonian is anxious that nothing shall upset his quiet, ordered way of life, the business community is equally concerned that nothing shall upset the economic appercept, for Panama's tax laws are generous to both them and their corporations. They therefore share Stevenson's hope that the Zonians will make a greater effort to know and understand the Panamanians and thus relieve the tension.

"As long as those people sit over there, scared to move out of their little nest, the Panamanians are going to resent it," one businessman said. "As long as the Panamanians resent it, there's going to be trouble. And when the real trouble starts, it's not going to be the people in the Zone who get hurt, for they've got troops to protect them. It'll be me, and my family, and my business."

Actually it would be unfair to blame the current tension entirely on the aloofness of the people in the Zone. The seeds of trouble that are coming to flower now were sown fifty-seven years ago, when the

original treaty was written, and even before it was ratified by the Senate. Secretary of State John Hay pointed out this fact. "As soon as the Senate votes," he wrote to Senator Spooner in 1904, "we should have a treaty which basically is very advantageous to the United States, which we must confess is not as advantageous to Panama. You and I know very well how many points we have in this treaty to which every Panamanian patriot would object."

Every Panamanian patriot has been objecting violently ever since, though for the first thirty years or so their efforts met with little success. In 1936, however, President Roosevelt, in a burst of good neighborliness, granted many of the concessions they had been demanding for three decades. The Panamanian negotiator was the then President, Dr. Harmodio Arias, a brilliant international lawyer and editor, and the wildest political manipulator in Panama. A self-made oligarch of mestizo—meaning Spanish-Indian—origin, he nourishes a deep grudge against the United States, which he claims sullied the Panamanian blood stream by bringing in laborers from the West Indies to work on the canal. There is no indication that his animosity toward us was placated by Roosevelt's generosity in writing a new treaty. There is, instead, strong reason to believe that he still hates us, and that not only through his newspapers but also by private manipulations behind the scenes he is still busily engaged in fomenting trouble against the Zone.

After the November riots he wrote: "We agree with Public Enemy of Panama Number Two that if Panamanians gained their point in having their flag fly in the Canal Zone, they would never stop in their demands. After the flag goes up in the Zone, there are still many other things to demand." (Public Enemy of Panama, No. 2 is Congressman Daniel J. Flood of Pennsylvania. Public Enemy No. 1, in Doctor Arias' view, is the governor of the Canal Zone.)

The concessions which Arias demanded, and got, from Roosevelt, began the slow erosion of United States power and authority which has continued ever since. Their effects are still being felt, sometimes to Panama's surprised distress, more often to our own. The first big change in United States-Panamanian relationships came in the revision of Article I of the treaty, in which we guaranteed the independence of Panama. To Doctor Arias this made Panama a protectorate of the United States, which in effect it did, and this was an unbearable humiliation for a proud and independent country.

"So you think you have come of age? You can take care of yourselves now?" Arias remembers Roosevelt's asking. He assured Roosevelt that this was so, and the protective clause came out.

Last year, for the first time, Panama had occasion to regret that Big Brother was no longer permitted to watch over her. Ninety-six bedraggled, but armed and potentially dangerous Cubans landed on the Atlantic side of the isthmus, announcing that they had come to liberate the country. The government panicked and appealed to the military in the Zone for aid. It was necessary to point out gently that, under the law, Panama had to repel such freebooters herself, unless it could be proved they were the official representatives of a foreign power. Fortu-

nately the unhappy Cubans, who did not like staggering around in the jungle, were eager to surrender to the police.

There was also a new interpretation of Article II, a short paragraph which simply stated that "the Republic of Panama grants to the United States in perpetuity the use, occupation and control of a zone of land . . . for the construction, maintenance, operation, sanitation and protection of said canal." Before the ink was dry on the 1903 treaty Panama started arguing that this limited our activities, and that we could be restrained from any action that was not directly connected with the canal. Roosevelt, in effect, agreed, and out of this concession has come such trivial and irritating issues as whether or not Toby jugs and cultured pearls could be sold in the PXs—the Panamanians arguing, with some logic, that the sale of such items had nothing to do with operating a canal—as well as most of the other economic concessions we have granted since.

Putting down civil disturbances that might occur in the republic was also part of our responsibility under the old treaty. Mr. Arias protested that this, too, was an infringement on his country's sovereignty, and we agreed that in the future Panama should quell its own riots and rebellions. It has saved us a lot of trouble, for when the hot-headed university students, seeking to overthrow the government, battle the police in the streets, we do not get involved. The decision may in time come back to haunt us, though, for if the lives of Americans living in the republic are ever endangered by mob violence, the troops in the Zone cannot be sent to their rescue—a fact of which the American community is painfully aware.

We also gave up our right of requisition property lying outside of the Canal Zone which might be useful in the operation or protection of the canal. The result is that the waterway is now guarded by obsolescent anti-aircraft guns located within the boundaries of the Zone, for the Panamanian Government has refused to grant us land on which to establish outlying Nike missile bases.

Roosevelt's generosity in 1936 was almost matched by that of President Eisenhower in 1954–55, in negotiating further revisions with President José Antonio (Chichi) Remón, who was assassinated, his friends say, because he was too harsh on grafters in his government.

Under Article III of the original treaty, Panama had granted to the United States "all the rights, powers and authority within the Zone . . . which the United States would possess and exercise if it were the sovereign of the territory . . . to the entire exclusion of the exercise by the Republic of Panama of any such sovereign rights, power or authority."

To the American mind, this language seems plain enough. In the eyes of the Panamanians, though, that little "if" in the curiously worded sentence looms as large as the Washington Monument. Because of it they argue that no matter what the rest of the treaty says, true sovereignty lies with them. Remón, therefore, made a number of demands that would confirm that sovereignty. One was that the Panamanian flag be flown beside the United States flag in the Zone, and that it also be flown on all ships transiting the canal. Others were that Spanish as well as English be the official language in the Zone; that foreign consuls in the Zone be accredited by Panama; that Panamanian postage be used on all the Zone's outgoing mail, and that Panamanian miscreants

in the Zone be tried by mixed tribunals of United States and Panamanian judges.

All of these were rejected, on the grounds that they struck at the heart of the United States' jurisdiction.

Remón did not come home downhearted, though, for the Panamanian is a realistic man where money matters are concerned, and his wounded nationalistic pride may be soothed by poultices of cash. In the economic discussions we were more generous. Eisenhower reaffirmed our intention to support and stimulate the Panamanian economy. He agreed that we should not buy anything for use in the Zone except from Panama or the United States, unless this did not prove "feasible." Out of this little escape clause has come the hot squabbles over our purchases of Danish beer, New Zealand beef and dried milk from Holland, and the whole issue of third-country purchases. Remón also asked that our annual payment to Panama for the privilege of occupying her territory be raised, from \$430,000, to 20 per cent of the canal's gross revenues, or \$5,000,000, whichever was the greater. Eisenhower agreed to raise the ante \$1,500,000, for a total payment of \$1,930,000. The Panamanians were quick to point out that this was still chicken feed, being less than the United Fruit Company paid for the privilege of growing bananas on their land. Their anger was somewhat assuaged, however, when we also tossed into the kitty some \$24,000,000 worth of United States property lying outside the Zone, including houses, stores, a hospital, a school and two railroad stations with their freight yards. We also agreed to build a \$20,000,000 bridge across the canal.

As in Arias' time, we made certain concessions to Panama's national pride which have had somewhat unhappy consequences. Prior to 1955 the Zone government had picked up the garbage, cleaned the streets and controlled the mosquitoes in Panama City and Colón, spraying the anopheles with such vigor that even the wigglers in the church baptismal fonts were killed. We also provided both cities with a supply of pure, clean water. These services, it seems, were an affront to Panama's dignity, and it demanded the right to collect its own garbage and kill its own mosquitoes. Now, with the republic in charge, the garbage is picked up fairly regularly in the areas where the wealthy live, but the alleys of the downtown slums are frequently clogged with piles of debris so odorous they attract the rapt attention of the gallinazos, the black buzzards which swoop and wheel above the town. Mosquito control has been abandoned, and in both the Zone and Panama the incidence of malaria has risen sharply.

We still provide water for the cities, but the Panamanian Government seems to have declared a moratorium on paying for this service. When we present the bill, now roughly \$1,300,000, they point out that this is water that fell in the form of rain from Panamanian skies onto the Panamanian earth. Obviously it is Panamanian water. So why should they pay?

It is obvious from the foregoing that our problems here are both great and petty, and that they stem from motives as noble as patriotism and as base as human greed and selfishness. It is also plain that in the past we have not handled them well, and that our position here grows progressively more awkward and difficult.

One reason for our predicament is the division of authority under which our interests here are represented, not by one man, but by a triumvirate made up of two soldiers and a diplomat. All three are able men, and they try, though not without

friction, to work together to bring some order out of the mess. Their missions differ, though, and they receive their instructions from different sources of authority—the State Department and the Defense Department—whose judgments on matters of foreign policy often clash.

The mission of the ambassador, Julian Fiske Harrington, is to establish and maintain relations with the Panamanian Government so mutually beneficial to both countries that Panama will be a show place of our policy in Latin America. The mission of the governor of the Canal Zone, General Potter, is to maintain and operate the canal, efficiently and effectively, and at no cost to the United States Government. The mission of the Caribbean military commander, Lt. Gen. Ridgely Gaither, is to defend the canal.

Under such a division of interests and responsibilities it is inevitable that conflicts will arise. Policies promulgated by the State Department may cause strong repercussions in General Potter's Canal Zone. Decisions made by General Potter may gravely complicate Ambassador Harrington's relations with the Panamanian Government. The result is that matters sometimes come to such a pass—as they did last November—that the ambassador has his flag torn down, Governor Potter's policemen are pelted with rocks, and General Gaither has to send his troops in to straighten things out.

Obviously this state of affairs cannot go on forever. Somebody on higher levels of authority than exist here must soon decide what our policy is going to be in Panama, and who shall administer that policy. It will not be easy. Our concept of the function of the canal is poles apart from that of the Panamanian. We see it as a great international public service, to be operated not for our benefit alone but for the benefit of all the trading nations of the world. The Panamanians see it as a source of income—a tollgate at which heavier and heavier tribute should be levied. Tolls now stand at some \$40,000,000 a year. They would like to see us double, triple or quadruple that revenue—with them receiving a greater and greater share—and they are not concerned by the fact that such a policy would mean economic ruin for thousands of businesses and also many small nations around the world.

The Panamanians also make it clear that whatever concessions we may make in the future they are going to continue to push for greater recognition of their sovereignty—expressed not only in terms of cash, but of control. This is a challenge that cannot be met by barbed wire and bayonets, for as one angry Panamanian warned, "You cannot live here forever on a little island surrounded by a sea of hate."

The diplomats and the soldiers together must somehow find the answer, for both their interests are at stake. We know as well as do the Panamanians that the world has changed in fifty years, and Theodore Roosevelt's Big Stick days are over. There are concessions we still could make without damage to our main mission here—the operation and protection of the canal. But if the canal is essential to our defense as well as to our economy—and it will be, so long as warships sail the seas—we cannot give a little here and a little there, until finally all our "rights, power and authority" are gone. Someday soon we have got to dig our heels in and make a stand. Perhaps then things will quiet down. For the last thing the Panamanians want is for us to leave the canal to them, or turn it over to an international agency. They want us to stay here and run it—on their terms.

THE END